

EIGHT PAGES
FROM SUNDAY'S
The New York Times
THE WEEK IN REVIEW
INSIDE TODAY

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In three incidents in Lebanon Nine IDF men hurt, six terrorists killed

By MENAHEM HOROWITZ
Jerusalem Post Reporter
METULLA. — Nine Israeli soldiers were injured, six terrorists were killed and two were captured yesterday in three accidents in different parts of South Lebanon.

In the first incident, an Israeli Navy gunboat on patrol north of the Awali River detected a rubber-raft of the Zodiac type on a southerly course bound for Israel.

The raft changed course toward the Lebanese coast when it was detected and five terrorists leapt onto the beach, throwing grenades at waiting soldiers.

The soldiers returned fire and killed three terrorists, including a woman with French citizenship. One Israeli soldier was slightly wounded. Two terrorists were caught. Among

weapons found in the raft were rocket-propelled grenades, five Kalashnikov assault rifles, grenades and ammunition. (Photographs below)

In the second incident yesterday, light arms fire was directed at an Israeli Defence Forces convoy of jeeps and trucks near the village of Reihan, eight kilometres northeast of Nabatiya. Five soldiers were hurt and taken by helicopter to Rambam hospital in Haifa.

The condition of two was reported as fair last night, one was in satisfactory condition, and two had only light wounds.

Immediately after the attack, IDF and South Lebanon Army troops gave chase to the ambushers. SLA troops killed three terrorists.

Three Israeli soldiers were hurt

(Continued on Page 4)

Syria, Israel both seek U.S. mediation

By DAVID LANDAU
Post Diplomatic Correspondent
Both Syria and Israel are interested that the U.S. should mediate between them over Israeli withdrawal and security arrangements in South Lebanon.

Israel's interest was divulged by Vice Prime Minister Yitzhak Shamir in a series of statements and interviews over the weekend. "We would like to have... a diplomatic partition by the U.S.," Shamir said on arrival in New York yesterday to attend the UN General Assembly.

Syria's interest has not been expressed publicly. But informed

sources say there is good reason to believe that Syria, too, is looking to the U.S. to mediate.

Some government circles here apparently would have preferred that Israel, too, remain publicly silent over the U.S. effort — especially at this delicate initial stage.

Shamir is to meet with U.S. Secretary of State George Shultz in New York next Monday. But there are likely to be other contacts in the region involving U.S. diplomats, before then.

UN Undersecretary-General Brian Urquhart, who was in the

(Continued on page 2, col. 6)

Report: Israel economy dips badly

By WOLF BLITZER
Jerusalem Post Correspondent
WASHINGTON. — Israel's economic situation last year deteriorated more than that of any other country except Bolivia.

This was reported in the just-released annual financial survey of countries in *Euromoney*, a private publication released in conjunction with the International Monetary Fund and World Bank meetings now underway here.

The *Euromoney* survey was based on five economic factors: inflation, foreign-currency reserves, balance of payments, exports, and external debt.

Israel was listed among the countries whose economic situation had severely eroded over the past year. Other countries cited were the Philippines, Ghana, and Argentina.

Israeli officials, clearly embarrassed by the *Euromoney* report, cited Israel's modestly improved "creditworthiness" in another annual publication just released at the IMF meeting.

The second publication, *Institutional Investor*, showed that Israel's credit rating went from 65th among 109 countries in 1983 to 61st this year.

Euromoney, in its international credit rating, did not include Israel this year. Israeli officials said this was because the magazine lacked appropriate data. Last year, Israel ranked 64th in the *Euromoney* list.

Moshe Mandelbaum, the governor of the Bank of Israel, who is in

(Continued on Page 2, Col. 4)

NEWS ANALYSIS

Who's afraid of the IMF?

By PINHAS LANDAU
Post Finance Reporter
Dismissal, dismay and apathy were the three main reactions in economic circles in Tel Aviv to yesterday's reports of an extremely critical International Monetary Fund report on the Israeli economy.

The report, in the *Euromoney* monthly, a highly regarded professional magazine that is published in London, quoted and analyzed the latest IMF annual study of the Israeli economy and its performance in the last year.

According to *Euromoney*, IMF figures show that only Bolivia saw a greater decline in its economic performance in this period, and only Argentina registered a higher rate of inflation.

Worse still, the report did not include Israel in its debt ratings of 116 countries, implying doubt that we could continue to meet our debt-repayment commitments.

One early reaction here was to dismiss or play down the importance of the report, saying that *Euromoney* was influenced by Arab petrodollars and its reporting may therefore be biased. But this idea was itself quickly rejected by knowledgeable persons, who all attested to the professionalism and impartiality of the annual *Euromoney* analysis, which is basically a comparative study of all the world's economies, using uniform measuring techniques to determine which countries rose or

(Continued on Page 2, Col. 2)

Bank Leumi ups interest rate 2.5%

Post Finance Reporter
TEL AVIV. — Bank Leumi yesterday announced an across-the-board rise in interest rates of 2.5 per cent for borrowers from October 1. This move is almost certain to be copied by other banks and will move the economy to a higher interest-rate structure. (Full report — page 6)

New economic measures are only a first step, says Moda'i

By AVI TEMKIN
Post Economic Reporter
Announcing a series of new taxes, price rises, and other austerity measures yesterday, Finance Minister Yitzhak Moda'i conceded that these alone would not solve the country's problems, and would probably lead to a speeding of inflation in the short term.

Moda'i said that the steps were "preparatory" to an overall economic plan that would deal directly with inflation. "I did not get what I wanted — namely a price-wage freeze and a package deal agreement — but later we will sign such an accord, after the conditions are fit for it," he said.

Moda'i said that the steps being implemented were designed to absorb funds from the public.

According to the minister, he had

got the cabinet's unanimous approval for the package he had presented, including the \$1 billion cut from the budget.

Later the minister indicated that the \$1 billion figure relates to the entire fiscal year, but since some half of this has already passed, the effective cut for this year will be smaller.

According to Treasury officials, the implementation of the plan to impose the income surtax and the compulsory loan agreed upon with the Histadrut will not begin with September's salaries as planned, but will probably have to wait until October salaries are paid at the start of November. According to ministry estimates, the surtax and the loan will bring some \$80m. to the Treasury.

The planned cut in the government budget includes a \$350 million slash in subsidies, which can be considered an increase in the tax burden,

since subsidies are usually considered negative taxes.

The ministers estimated that the tax on cars, machines and inventories would bring in some hundreds of millions of dollars.

In addition, the Treasury expects to get some \$150 million in the current fiscal year from measures it will introduce to increase income-tax collection.

Thus the package of measures decided upon by the cabinet yesterday totals some \$1.5b. of this, about \$550m. will come from new taxes, \$350m. from subsidies and the rest from the cuts in the budget.

Moda'i said that he had not yet made up his mind about a planned trip to the U.S. at the beginning of October. He added that during such a trip he would not ask for additional aid, but "only for a change in arrangements."

He declined to elaborate on this

change, but according to economic observers he was hinting at Israel's request to the U.S. to get all the aid for 1985 as a lump sum in October.

Moda'i indicated that he would raise the issue of additional aid during a second trip after the austerity plan decided on by the government was implemented.

Moda'i denied that the report on Israel's economy appearing this week in *Euromoney* (see adjoining story) had anything to do with the cabinet's decision. The steps were planned before the report appeared, he said.

During the cabinet meeting Moda'i was harshly criticized for what some of his fellow ministers called the lack of a coherent economic plan. Ministers criticized the small cuts in the budget, while others

(Continued on Page 2, Col. 1)

New subsidized prices

Among the increases in the prices of subsidized goods are:

	Old price IS	New price IS
Standard bread, 750g.	36	42
White bread, 750g.	54	64
Halla	94	111
Cooking oil, 630cl.	335	396
Margarine, 200g. block	71	110
Milk, litre	101	120
Butter	80	94
White cheese, 9%, 250g.	120	140
Leben	35	41
Meat (ranging from)	1095-	1420-
Frozen chicken	1613	2100
Eggs, no. 1	650	850
Eggs, no. 2	24	28.50
Eggs, no. 3	23.50	27.50
	23	27

Gov't seems resigned to speeding up of inflation

Post Economic Reporter
The government has apparently given up the battle to curb inflation in the near future, and has resigned itself to a speeding up in the pace of price increases. This was the message conveyed by the hikes in the prices of fuel and basic commodities announced yesterday, and the declarations made by Finance Minister Yitzhak Moda'i after yesterday's cabinet meeting.

Moda'i said that in September and October relatively high inflation rates will be recorded. Although he did not give any figures, it is ex-

pected that consumer prices will rise by 25 to 30 per cent in each of these two months.

This could mean that by the end of the year, inflation may be closer to 500 per cent than 400.

The price hikes announced yesterday reflected different targets for different products. With some products, like margarine up 55 per cent, meat up 30 per cent and fuel up 30 per cent, the rise means a cut in the real value of the government subsidy. In all other other products the

One-time taxes okayed on cars, boats, planes

By AVI TEMKIN
Post Economic Reporter
The tax package agreed on by the cabinet yesterday includes a one-time tax on private cars, boats and aircraft, one-time taxes on stocks, machinery, and buildings owned by corporations, and measures to increase tax collection.

The tax on private cars will be about 2 per cent, varying according to the model and engine capacity. The minimum tax will be paid on cars produced before 1972, with the tax gradually rising.

There will be five categories of engine capacity: Up to 1000cc., 1000 to 1300cc., 1300-1750cc., 1750-3000cc., and 3000cc. and more.

According to ministry officials, a 1981 or 1982 car will be subject to some \$120 to \$140 tax.

The tax will be payable through the Licence Bureau in either four sums or in one lump sum. The tax has yet to be approved by the Knesset.

Concerning the one-time tax on machinery, buildings and stocks, the tax authorities will send companies a questionnaire about their assets and prices. Various calculations will yield figures of a 1.5 to 2 per cent tax on stocks and machinery, and a 0.5 per cent tax on buildings.

The cabinet also approved a four measure package designed to increase income-tax payments and reduce tax evasion.

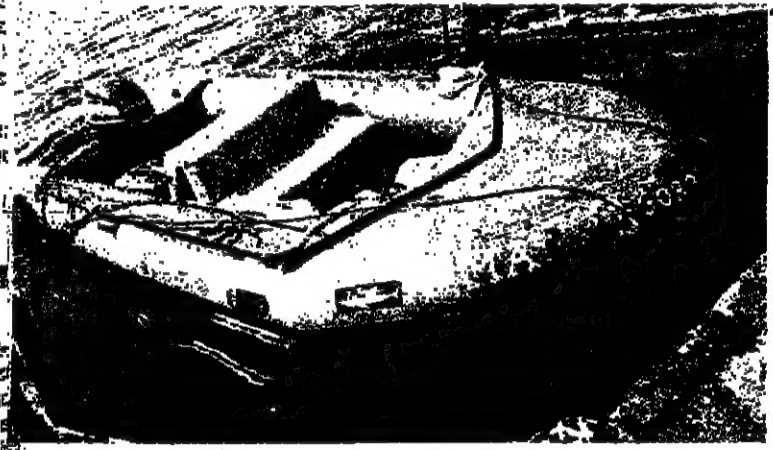
Tax payments deducted at source

on income that is not part of regular wages will be raised by 5 to 10 per cent. The deduction for large companies supplying the government will stand at 20 per cent instead of 10 per cent, and the deduction for "moonlighters," specially those in the liberal professions, will be raised from 45 per cent to 50 per cent.

The tax authorities will recognize as tax-deductible only those wage costs from companies on which income tax was deducted at source and transferred to the Treasury. There are many corporations deducting wage costs from which no tax was taken, or if taken, it was not transferred to the Treasury.

The penalty charged for differences between the tax statement submitted by companies and self-employed and the final tax figure determined by the tax authorities will be linked to the price index. Now a 25 per cent gap between the two figures constitutes an effort to evade taxes, but because of the time lapse between the submission of the tax statement and the determination of the final tax figure, the penalty is usually greatly eroded.

If the interest rate charged by companies on loans to their employees or their owners is less than 396 per cent, the Treasury will consider that a subsidy is involved and will tax the difference between this rate and the actual interest as income to the borrower.



The rubber dinghy, ammunition and items of clothing used by the terrorist squad, intercepted by the Israeli Navy off the Lebanese coast yesterday. (IDF photographs)

Fuel prices up 30%

By AARON SITTNER
Jerusalem Post Reporter
The price of cooking gas rose at midnight from IS2,904 to IS3,775 for a 12-kilogram balloon. The price of 91 octane petrol went up from IS181 to IS236 a litre.

These are some of the new prices of fuel, which rose by an average of 30 per cent, after Energy Minister Moshe Shahal announced that in consultation with the Treasury, government subsidization of petrol, cooking gas and other fuels has been ended.

"From now on," he said, "fuel prices here will reflect the true cost on the world markets, translated

into shekels."

He called on Prime Minister Shimon Peres to do his best to find ways of easing the lot of poor people in cold areas who must spend substantial sums for heating fuel.

Following are the new prices, (with the old prices in brackets): 91 octane petrol, per litre — IS236 (IS181); 96 octane — IS 279 (IS214); Kerosene — IS197 (IS151); Diesel fuel — IS 189 (IS145); Cooking gas, 12kg balloon — IS3775 (IS2,904); Centrally supplied gas, 1 cubic metre — IS1,015.76 (IS781.6). Electricity prices are certain to rise soon, the Energy Ministry said.

Kessar insisted that cuts be fair to all

By ROY ISACOWITZ
Jerusalem Post Reporter
TEL AVIV. — The imposition of a property tax and the Finance Ministry's stated intention to clamp down on income-tax evasion were prompted by the Histadrut's insistence that the economic burden be equally shared, Histadrut sources revealed last night.

The steps were adopted by the government in return for the Histadrut's acceptance of the Treasury's other measures, particularly the imposition of a surtax and subsidy cuts, the source said.

While the burden of the surtax and the subsequent compulsory loan is expected to fall mainly on salaried workers, the property tax — and in particular the tax on industrial plant and equipment — should impose a similar burden on independents and companies, the source added.

The Histadrut central committee yesterday approved the labour federation's programme of demands and guarantees in its negotiations with the government and the private employers.

A government-Histadrut meeting, scheduled for yesterday, was postponed at the government's request. No new date has been set for the meeting, during which the agreement on the new economic steps is due to be signed.

Histadrut Secretary-General Yisrael Kessar yesterday warned the government that the Histadrut's agreement to the new measures was not open-ended. The labour federation reserves the right to react to any new taxes or budget cuts "according to their effect on the worker and his family, employment, and the good of the economy," he said.

Wrapping up the long central

committee debate, Kessar said that the Histadrut anticipates "further conflict with the present government... over cuts in the state budget and in the budgets of certain ministries."

Many such cuts will bring "direct and immediate harm to salaried workers and the low income groups," he feared.

Histadrut sources stressed that, however painful the new measures may be, the labour federation had prevented the imposition of measures far more painful for salaried workers. Trade Union Department Chairman Haim Haberfeld disclosed that, during the negotiations with the government last week, Histadrut representatives had rejected a proposal that government employees be reduced by 25 per cent.

The Histadrut had remained true to its principles of full employment

(Continued on Page 3)

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Terror trial focuses on suspects' intentions

By DAVID MANDEL
Jerusalem Post Reporter

The bombs placed under West Bank mayors' cars in June 1980 were capable of killing their intended victims, a former police explosives expert testified yesterday at the Jewish terror underground trial. However, he admitted under cross-examination that they might not have been intended to do so.

Karim Khalaf of Ramallah and Hassan Shaka of Nablus both lost legs in the explosions, for which 14 of the 20 defendants at the trial are charged with attempted murder, and Border Police sapper Suleiman Hiri was blinded by a charge outside

the garage of Al-Bira's Ibrahim Tawil.

Most of the defendants charged in the car bombings have confessed to their parts in the plot. Assuming that the statements are held to be admissible in the mini-trial now being conducted, their intentions could be of crucial importance. If the prosecution fails to prove either actual intent to kill or imputed intent to kill — meaning that it was a likely enough result even if not desired — then the attempted murder charges will be replaced by a charge of causing grievous bodily harm, with a maximum sentence of 10 years instead of 20.

Defence lawyer Dan Avi-Yitzhak spent over two hours cross-examining Rav-Seren Eli Ben-Bassat, now serving in the Israel Defence Forces, who personally inspected the sites of the Ramallah and Al-Bira blasts.

The most serious issue was the question of whether the bombers' intentions could be deduced from the size of the bombs and the way they were placed. Ben-Bassat, in his initial testimony, raised the example of a bomb "of approximately the same size — half a kilogram, give or take 100 grams or so" — that killed businessman David Shulman in 1979. He implied that it was a matter

of luck that Khalaf, Shaka and Hiri-bawi were merely crippled, and not killed.

"Three miracles in one day?" summed up Avi-Yitzhak's open scepticism about the prosecution version. Showing considerable impatience with the witness, and frequently consulting with defendant Number One Menahem Livni on the bench behind him, the lawyer proceeded to conduct a seminar in explosives.

First, he stressed Ben-Bassat's testimony that the action had been carried out by "professionals." The workmanship was "superior," the

Knesset to recreate police ministry today

By ARYEH RUBINSTEIN
Post Knesset Reporter

The Knesset is to debate this morning a government proposal to restore a separate police ministry. When the Likud came to power in 1977 it abolished the ministry and incorporated police affairs in the Ministry of Interior.

As with practically every vote in the unity government, approval of the separate ministry is a foregone conclusion. In fact, the Knesset two weeks ago approved the 25 cabinet members proposed by Prime Minister Shimon Peres, including Haim Bar-Lev as police minister.

The Knesset will also approve the recommendations of the Steering

Committee that will be presented by committee chairman Avraham Katz-Oz. At yesterday's meeting, the committee approved, by a vote of 11-1, the division of spoils worked out by the Likud and the Alignment.

The nay vote was cast by Mordechai Virshupski (Shinui), Tehiya, Mapam and the Democratic Front for Peace and Equality abstained. They were protesting against their failure to receive any committee chairmanship.

The Likud was planning to give Geula Cohen (Tehiya) the chairmanship of the Aliya and Absorption Committee from its allocation of five committees. The Likud also intended to give Mapam the chair-

manship of the Committee on State Control from its five.

But the representatives of the two factions said they did not want charity. If they were not allocated chairmanships in their own right, they threatened not to cooperate in the work of the Knesset.

Ronnie Milo (Likud-Herut), deputy chairman of the Steering Committee, agreed on the Galet Zahal (Israel Defence Forces radio) news-reel yesterday evening that this argument had some basis. He promised to ask Katz-Oz to change the wording of the recommendation he presents to the plenum this morning in a way that will appease the opposition factions.

Americans hurt in Beirut brought to hospital here

By MICHAEL YUDELMAN
Jerusalem Post Reporter

TEL AVIV. — Four American citizens wounded in last week's explosion at the American embassy in Beirut were flown to Israel yesterday and transferred to the Haim Sheba Medical Centre at Tel Hashomer. Their condition was described as good to fair.

The men — Roberto Lora, Bernard Wozniak, Michael Milroy and Harvey Widacker — were suffering from wounds caused by shrapnel and flying metal and stone chips. Several were suffering from possibly significant damage to their hearing, hospital deputy director David Kreiser

told *The Jerusalem Post*.

Kreiser said some of the patients may be released in a day or two. All are fit to fly if they decide to go home to the U.S., he said.

The Americans were very reserved when they first arrived. But they gradually "thawed out" and began to feel at home, it was reported from the hospital.

Kreiser said he did not know why it was decided to fly these patients to Israel, while others were taken to an American military hospital in the German Federal Republic.

The oldest patient is 65, while the others are in their thirties and forties, Kreiser said.



President Chaim Herzog (second from right) and Haifa Arab and Jewish dignitaries, led by Mayor Arye Gurel (extreme right), partake of cold drinks at a reception in their honour yesterday in the city's Wadi Nisnas, whose residents are mainly Arabs. (Israel Sun)

Herzog gets warm welcome in Haifa

Jerusalem Post Reporter

HAIFA. — President Chaim Herzog was given a warm reception by Arab residents when he toured Haifa's Wadi Nisnas quarter yesterday as part of a day-long visit to the city.

A large crowd surrounded the president as he stepped from his limousine to begin a "walkabout" in the quarter.

Jamil Shalhoub, one of the leaders of Haifa's Christian Arab community, welcomed Herzog and thanked him for the visit — the first by a president to Wadi Nisnas.

Herzog praised the good relations between Haifa's Jewish and Arab citizens and said the city is a symbol to the nation that the two communities can live together in peace and harmony.

Earlier, Herzog was given a red-carpet reception by Mayor Arye Gurel and civic leaders at City Hall. The president, accompanied by his wife, Aura, said he had special affection for the city where his father had been welcomed 49 years earlier by then Arab mayor Hassan Shukri when he arrived to take up the post of chief rabbi of Eretz Yisrael.

Before the City Hall reception, the president visited injured Israel Defence Forces soldiers at Rambam hospital. One of those whom he wished a Happy New Year was 20-year-old Yonatan Ackerman, who was wounded in Lebanon and has been hospitalized in Rambam for the past 2½ months.

Ackerman, from Haifa's Kiryat Eliezer quarter, suffered stomach and leg injuries and is to undergo another operation on Thursday. He said the president's visit had cheered him up.

Aguda rewrites laws, gets same school funds as before

By HAIM SHAPIRO
Jerusalem Post Reporter

A High Court decision calling for Religious Affairs Ministry allocations to institutions to be made according to recognized, objective criteria has done little to affect special grants to institutions favoured by the Aguda Yisrael, but it has affected allocations to Bnei Akiva (National Religious Youth Movement) institutions.

The decision came after an appeal by the Habad Hassidic movement, which said that the funds were being allocated unfairly.

But before the court had time to act, Aguda Knesset members, through the Knesset Finance Committee, which its members have headed since 1977, rewrote the laws governing these funds. Instead of merely referring to funds for "schools" or "yeshivot" or other "institutions," the new law, referred to the favourite funds of the Aguda Knesset members by name, thus excluding them from the need to be judged according to objective

criteria.

At the same time, numerous other clauses in the Religious Affairs Ministry budget are still worded as vaguely as those that referred to the Aguda allocations. In particular, these are funds earmarked for "yeshiva high schools" and "ulpanim" (high schools for girls).

Ironically, Aguda Yisrael has been at the forefront in demanding that these funds be shared with their own institutions, which can also qualify as yeshiva high schools, rather than go just to the Bnei Akiva institutions for which they were originally intended.

Officials at the Religious Affairs Ministry — which despite the fact that its titular head is Prime Minister Shimon Peres, is still very much a National Religious Party domain — have found themselves helpless to change the situation.

"By the time all the money is divided up, everyone gets a pittance and it might as well not be there at all," one official told *The Jerusalem Post* yesterday.

Wife of Canadian diplomat killed in traffic accident

The wife of a Canadian diplomat was killed and the diplomat injured in a traffic accident late Saturday night in Herzliya Pituah.

Donald Grainger, an attache in the Canadian embassy, and his wife, Dolores, were driving through town when their car was reportedly hit by a Dan bus coming from a side street. Dolores was killed, and Donald Grainger was injured. He was taken to Meir Hospital in Kfar Saba, where his injuries were reported to be "not serious."

Dozens of persons were injured in 10 accidents over the weekend in the Shimon region.

Two persons were injured on Friday morning when the engine of their car fell out as the car crossed a railroad track near Kfar Vitkin. The

car stopped suddenly, seriously injuring the passenger, Alik Arda, 20 of Moshe Elyashin, and lightly injuring the driver, Shlomo Levy, 52, of Elit.

Knowing that a train was coming, Levy ran down the track despite his injury and succeeded in signaling to the oncoming train to stop. Arda was taken by ambulance to Hillel Yoffe Hospital in Hadera.

Figures released yesterday showed that 125 persons were injured and four killed in traffic accidents in Rehovot during the first six months of this year. Of the injured, 31 were children aged 14 or under — twice as many children were injured in traffic accidents in the town in the corresponding period last year. (Itim)

Vulcan dispute not resolved during first round of talks

By DAVID RUDGE
Jerusalem Post Reporter

HAIFA. — The first round of talks between management and the Histadrut in the Vulcan Foundries dispute ended yesterday with the sacked workers threatening to take further industrial action.

The dismissed men were angered by a report that Vulcan's new owners, the Oudan firm, signed a "secret" agreement with Koor before buying Vulcan Foundries. Koor is owned by the Histadrut.

Yosef Assulin, the sacked employees' leader, said that Vulcan's new general manager, Alex Ferling, maintained that management had acted in accordance with this agreement when it sent dismissal notices to 67 workers.

As far as the workers were concerned, there was only one agreement, and it guaranteed that there would be no dismissals.

Assulin said they had also learned for the first time that the company intends to dismiss 40 more workers as part of its recovery plan.

"After hearing these details, we all feel bitter and betrayed. Even those who are still working are now unsure what the future holds," he said.

He indicated that the dismissed men would take some action today, probably closing the factory gates. They are also hoping that a group of Knesset Members will visit the factory and raise their plight in the Knesset.

Assulin demanded that a committee of inquiry be set up to investigate the takeover of Vulcan by the Oudan company in the light of the so-called "secret agreement."

The negotiations between the Histadrut and Vulcan are scheduled to continue next week.

Mental-health congress to convene in B'sheba

By GREER FAY CASHMAN
Jerusalem Post Reporter

Hundreds of European, American and Israeli psychiatrists, clinical psychologists, sociologists, community workers and anthropologists are expected to assemble at Ben-Gurion University in Beersheba next Monday for the European Regional Meeting of the World Federation for Mental Health.

Among subjects to be discussed at

the four-day meeting are treatment of victims of terror and violence; primary care and mental health in the military; primary care for single-parent families; and coping with stress and crisis in family and work situations.

Papers will be presented on the mental health of immigrants and will deal with Ethiopian olim in Israel and the Turkish Islamic minorities in the German Federal Republic.

PUBLIC'S MONEY

(Continued from Page One)

social contract "in a couple of months."

During the meeting, the government's recent steps to sop up money were explained as preparatory to the package deal. Finance Minister Yitzhak Moda'i explained the steps in detail, with additional information supplied by Gad Ya'acobi, minister of economy and planning. The fourth minister present was Ariel Sharon, minister of industry and trade.

Eli-Hurwitz, president of the Manufacturers' Association, pointed out that the export drive would be slowed down if the ratio in the loans given exporters was changed. They now received about 60 per cent in shekels, with inflation reducing the actual value of the shekels they have to pay back, and 40 per cent in dollars. It was promised that as soon as the Governor of the Bank of Israel, Moshe Mandelbaum, returned from abroad, the

matter would be studied by the Bank of Israel.

Elihu Izakson, representing the Farmers' Federation, pointed out that the agricultural exporters were facing difficulties, despite the exchange-rate guarantee (which has a high dollar content). This is because most fresh agricultural exports go to Europe, whose currencies were dropping in value compared with the dollar. It was promised that this matter would also be looked into.

The participants discussed a government plan to ban the import of undefined "luxury goods" for three months.

Avner Ben-Yakar, chairman of the Federation of Chambers of Commerce, pointed out that any tax, even small, on business premises would have an inflationary effect, while David Stern, president of the Contractors' Federation, said the present severe drop in building starts would cause grave problems in a few years.

The non-government delegates stressed that the key to fighting inflation was to cut the government budget. They said that although there had been considerable discussion on this subject lately, so far not a shekel has actually been cut.

Arab local-council leaders to meet on financial crisis

SHFARAM (Itim). — The committee of heads of Arab local authorities will hold an emergency meeting today to discuss the financial crisis of the Arab local authorities, many of which have yet to pay their workers' August salaries.

Knesset member Tawfik Toubi, the mayor of Nazareth, has asked Knesset Speaker Shlomo Hillel to hold an urgent Knesset debate on the financial situation of the Arab local authorities.

KESSAR INSISTED

Jerusalem Post Reporter

HAIFA. — The Knesset's new measures, the Koor (for one month) and the compulsory loan (for three months) will be levied on all taxpayers according to their tax brackets.

A one-time surtax of 20 per cent will be levied on those now in the 66 per cent tax bracket and above, with 5 per cent being paid by those in middle-tax brackets. Wage earners below the minimum tax rate will not be liable for the levy.

The three-month compulsory loan will be paid at a rate of 7 per cent for

the Koor. The Koor is a new measure, the Koor (for one month) and the compulsory loan (for three months) will be levied on all taxpayers according to their tax brackets.

A one-time surtax of 20 per cent will be levied on those now in the 66 per cent tax bracket and above, with 5 per cent being paid by those in middle-tax brackets. Wage earners below the minimum tax rate will not be liable for the levy.

The three-month compulsory loan will be paid at a rate of 7 per cent for

Aia in economic straits year after \$10m. loan

By DAVID RUDGE
Jerusalem Post Reporter

HAIFA. — The Aia textile concern is in financial difficulties again, less than a year after it received a \$10 million loan, *The Jerusalem Post* learned last night.

The firm, which has dismissed nearly 500 employees as part of its recovery plan, has reportedly run into cash flow problems.

It has run up debts including one of \$300,000 to the cotton growers.

Aia's chairman, Asher Levy, is scheduled to put a request for financial aid to Industry and Trade Minister Ariel Sharon today. The Haifa Labour Council was asked yesterday to endorse the request.

Temple Mt. police commander promoted

Nitzav Avraham Turgeman commander of the Southern District Police, yesterday awarded the rank of Superintendent to the commander of the Temple Mount Unit, Chief Inspector Yeroham Kayam.

Kayam has been serving as the Temple Mount unit's commander for the past four months.

HAR-EL SYNAGOGUE
(Progressive)
16 Rehov Shmuel Hanagid, Jerusalem
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We are pleased to announce that in order to accommodate our expanding congregation our HIGH HOLY DAY SERVICES will be held in the air-conditioned auditorium of Beit Agnon, 37 Hillel Street.

The services will be conducted by Rabbi Tovia Ben-Chorin. Musical accompaniment on the harp. Joint family seating.

For membership or reservations, please call or come to the Synagogue office.

Erev Rosh Hashanah, Wed., Sept. 26 5.30 p.m.
1st day Rosh Hashanah, Thurs., Sept. 27 9.30 a.m.
Children's Service (from age 2) 11.30 a.m.
Evening Services 5.30 p.m.

"Pot Luck" supper and Tikun readings for English-speaking group (call 223841 for reservations) 9.30 a.m.
2nd day Rosh Hashanah, Fri., Sept. 28 Discussion group in English with Dr. Paul Brown and in Hebrew with Author David Shachar, winner of Bialik Prize 1984 11.30 a.m.
Children's Service (from age 2) 11.30 a.m.
Kol Nidrei, Fri., Oct. 5 5.00 p.m.
Yom Kippur, Sat., Oct. 6 9.30 a.m.
Seder Circle 2.00 p.m.
Mincha and Yizkor 4.00 p.m.
Concluding Service (No'alah) 5.10 p.m.

Tourists and visitors are cordially invited. While our services are conducted in Hebrew, we also use the English-language "Gates of Prayer" book. References to help non-Hebrew-speaking congregants are given throughout the service.

Registration is also open now for English-language study and discussion groups and Bar and Bat-Mitzva classes.

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MANPOWER BRANCH
Defence Service Law, 1959
(CONSOLIDATED VERSION)

Order to Report for Registration at District Recruiting Offices

Male and female citizens and permanent residents, who were born between October 5, 1957 and March 29, 1968, both dates inclusive, must report for registration at their district recruiting office in accordance with the Order to Report for Registration which they have received.

The men and women born between these dates who will not have received a posted order to report for registration will report at one of the recruiting offices listed in Table A, at 8.00 a.m. on the date given in Table B, in accordance with their date of birth.

TABLE A

Tel Hashomer — Tel Hashomer Recruiting Office (near Kiron)
Haifa — Recruiting Office, 12-14 Rehov Omar Khayyam
Jerusalem — Recruiting Office, 103 Rehov Rashi (Mekor Baruch)
Beersheba — Recruiting Office, 22 Rehov Yed Vashem
Tiberias — Recruiting Office, Rehov Natrat

TABLE B

DATE OF BIRTH	DATE OF REGISTRATION	
	BETWEEN	AND
1. Oct. 5, 1957	Oct. 19, 1957	Nov. 1, 1984
2. Oct. 20, 1957	Nov. 4, 1957	Nov. 4, 1984
3. Nov. 5, 1957	Nov. 19, 1957	Nov. 5, 1984
4. Nov. 20, 1957	Dec. 3, 1957	Nov. 7, 1984
5. Dec. 4, 1957	Dec. 17, 1957	Nov. 8, 1984
6. Dec. 18, 1957	Jan. 1, 1958	Nov. 12, 1984
7. Jan. 2, 1958	Jan. 11, 1958	Nov. 14, 1984
8. Jan. 12, 1958	Jan. 22, 1958	Nov. 15, 1984
9. Jan. 23, 1958	Feb. 3, 1958	Nov. 18, 1984
10. Feb. 4, 1958	Feb. 20, 1958	Nov. 19, 1984
11. Feb. 21, 1958	Mar. 10, 1958	Nov. 21, 1984
12. Mar. 11, 1958	Mar. 29, 1958	Nov. 22, 1984
13. Those Liable for National Service (sadir) or Reserve Service	December 10, 1984	

Male Israel citizens and permanent residents, who were born between January 1, 1933 and April 10, 1967, and who immigrated between October 1, 1949 and the date of publication of this Order in *Rishumat*, and who do not receive an order to report for registration for defence service by December 9, 1984, must report, as directed above, at their nearest recruiting office on December 10, 1984.

Those reporting are required to appear on the date and at the time indicated in the Order to Report sent to their home — or in accordance with the above table if they do not receive such an order.

UNDER NO CIRCUMSTANCES MAY A PERSON REPORT ON A DAY OTHER THAN THAT GIVEN UNDER THE ORDER WITHOUT THE PRIOR PERMISSION OF THE OFFICER IN CHARGE OF THE RECRUITING OFFICE.

Those reporting should bring their identity card or Ministry of the Interior registration certificate (*teudat-rishum*) or birth certificate. Immigrants should also bring their *teudat oleh* or passport.

A married woman who is a mother, or is pregnant, and who does not have a certificate testifying that she is legally exempt from defence duty, is required to come to a recruiting office and to bring documents testifying to her personal and family status, in order that she may be issued a certificate exempting her from duty.

From the date of publication of this notice, everyone who is required to report and who wishes to go abroad, must obtain a permit to do so from the officer in charge of a recruiting office.

Note: The full text of the Order to Report for Registration will be published in *Kovetz Hatzakmat*.

Abel-Moshe Moshe Ya'ari
Chief Recruiting Officer
Manpower Branch

Shock Waves

Beirut Blast Again Forces Mideast Into U.S. Politics

By BERNARD GWERTZMAN

AN act of violence has again forced the Middle East to the top of the American political agenda after months in which the region was largely ignored, not only by the Administration but by the Democrats as well. Interest in the region, it seemed, rises only in time of war, conflict or acts of terror.

The violence last week was shockingly familiar. For the third time in 17 months, Americans in Lebanon had fallen victim to terrorists driving a vehicle loaded with explosives. The death toll this time at the new American Embassy building in East Beirut was two Americans and six Lebanese employees, plus 15 others, according to Lebanese rescue sources — far fewer than the 63 killed when the old embassy in West Beirut was bombed in April 1983 or the 241 killed in the October 1983 attack on the Marine garrison at Beirut airport.

But if the deaths were fewer, and protection somewhat improved, the frustration level in Washington seemed high. For some, it was a nightmare revisited. "When I saw the TV this morning, I asked: 'How could it happen again?'" said Robert S. Dillon, who was United States Ambassador to Lebanon when the embassy was destroyed last year. The decision seven weeks ago to withdraw 80 marines and to substitute Lebanese guards at the embassy was questioned as shock reverberated in the Presidential campaign. "Yesterday's tragedy indicates a serious failure," said Walter F. Mondale, the Democratic Presidential nominee, "and it suggests that few lessons have been learned." He added, "The President is clearly to blame — let me put it this way, clearly responsible — for the overall policy and direction."

The White House spokesman, Larry Speakes, said that "based on the facts as he knows them," President Reagan was "satisfied" that security had been adequate before the explosion. Mr. Speakes said Mr. Reagan would not comment further until after a study in Beirut by the Assistant Secretary of State, Richard W. Murphy.

Reagan strategists had many reasons, in addition to the loss of life, to be upset over the explosion. It diverted attention from the President's campaign in the farm belt, forcing him to talk about Lebanon at every stop in Iowa. The attack also overshadowed, at least for the moment, Administration plans to emphasize the President's commitment to improving relations with the Soviet Union, to be highlighted tomorrow in his United Nations speech and in his meeting with Foreign Minister Andrei A. Gromyko on Friday at the White House. Aides said Mr. Reagan planned to propose a series of meetings of foreign ministers and defense ministers to take up arms control.

Mr. Mondale was also scheduled to meet Mr. Gromyko this week. Even before the Beirut explosion, Mr. Mondale and his running-mate, Geraldine A. Ferraro, were attacking the Reagan Administration's foreign policy record and what Mr. Ferraro referred to as its "indifference to the arms race."

The President had planned in his final weeks of campaigning to stress his leadership and to maintain a mood



The American Embassy in suburban Beirut after it was bombed last week; Marine Cpl. Larry Gill being treated by rescuers as he awaited evacuation to a hospital.

of optimism. There had been no intention to draw attention to the Middle East. The highly publicized Reagan peace initiative of two years ago has gone nowhere and Washington's efforts to end the Israeli and Syrian occupation of Lebanon and unify that country ended in embarrassment last winter, with marine peacekeeping units pulling out under Syrian-backed fire.

Disorder and the decline of Washington's influence have diminished the chances for a constructive American initiative for Lebanon. And political disputes in Israel during months of electioneering and jockeying for power made active Middle Eastern diplomacy unpromising.

New Opportunities

When the region was discussed at all, it was usually in terms of dangers in the Persian Gulf, the attacks on neutral ships by Iraqi and Iranian warplanes, and the mysterious mine explosions in the Red Sea. With United States standing depreciated in most Arab countries after Syria took credit for forcing the Marines' withdrawal, Washington was able to restore prestige somewhat by coming to the aid of the Saudis and other Gulf states, and by helping Egypt's mine-clearing operations.

Last week, however, broader regional issues again

demand attention. Aside from the Lebanon bombing, the political situation in Israel has stabilized, and the new coalition Government is sending Prime Minister Shimon Peres and Deputy Prime Minister Yitzhak Shamir to Washington. Israel will be asking for nearly \$1 billion in additional aid. It also wants United States help in negotiating with Syria on a plan that would allow Israel to withdraw from southern Lebanon without fear that Palestinian forces would return near Israel's northern border. Little movement is likely before the American election, but if the Israelis complete their long-promised austerity plan, the added aid may be arranged later. Whether a disengagement in Lebanon can be negotiated is less clear.

Israel's need for help, beyond the \$2.6 billion that Congressional committees have approved for this year, opens the door to increased American influence, particularly on issues of international concern such as expanding the Israeli settlements in the West Bank. Can the United States be expected to rescue the Israeli economy if part of the money is to be spent on policies that Americans regard as inhibiting the peace process?

An opportunity is also at hand to test the waters with the Syrians, who have sometimes been cooperative but also have been accused of playing the spoiler and insti-

gating violence. If Syria is willing to deal with the United States and, through it, with Israel on a Lebanese disengagement, the door could be opened to progress on larger issues in Lebanon. The attitude of Syria, Moscow's chief ally in the region, is uncertain. Some analysts believe the Syrians are interested in breaking out of their Soviet orientation and would be receptive to a deal that protected their interests in Lebanon.

Reagan Administration officials say the Democrats share in the responsibility for the setbacks last winter. They argue that pressure from Democrats in Congress for withdrawal of the Marines encouraged Syria to believe the Americans could be forced out. The Senate minority leader, Robert C. Byrd of West Virginia, criticized the Administration's policies, but he also said that "the problems in the Middle East today cannot be laid at the feet of any one Administration."

As to the bombing, Mr. Mondale said he was ready to support the President if retaliatory military action was ordered. But Administration officials, aware that Americans are in a sense hostage in many Moslem countries, were reluctant, not least because the nature of the shadowy Islamic Holy War group that has claimed responsibility for the bombing remains a matter of speculation.

Major News

In Summary

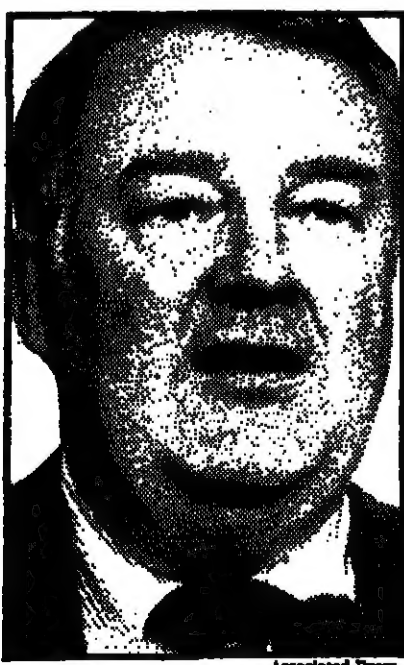
Investigators Find No Case Against Meese

After a five-month inquiry, an independent counsel last week reported that he had found no evidence that Edwin Meese 3d, whose nomination to be Attorney General is stalled in the Senate, had broken any Federal laws.

The investigation, overseen by Jacob A. Stein, a Washington defense attorney, was prompted by the revelation after confirmation hearings had concluded — that Mr. Meese had failed to report a \$15,000 interest-free loan to his wife from a friend on the financial disclosure reports he was obliged to file.

Mr. Stein was also directed to investigate other questions that were raised during the confirmation hearings about Mr. Meese's financial affairs and whether he had helped arrange Administration jobs for several people who had loaned him money. In their examination of 11 specific allegations of possible misconduct, Mr. Stein and his investigators questioned 200 witnesses and called 45 of them to testify before a Federal grand jury.

In his 385-page report, Mr. Stein said there was "no basis with respect to any of the 11 allegations for the bringing of a prosecution against Mr. Meese for the violation of a Federal criminal statute." He noted that, because he had to limit his inquiry "to the sole question of whether the evidence warrants prosecution under



Edwin Meese 3d

Federal criminal statutes," he could not accommodate the requests of Mr. Meese's attorneys and some Democratic critics to say whether Mr. Meese was ethically fit to succeed Attorney General William French Smith.

Mr. Meese, who is President Reagan's counselor, asserted in a statement read to reporters that the Stein report "cleared the air." Further, he said, it "affirmed what my family and I have always known: that we

have lived honorable lives, that we have paid our debts with our own money, and that we have never taken advantage of official position to obtain private gain."

It seemed likely nonetheless that — assuming Mr. Reagan is re-elected and resubmits the nomination — Mr. Meese won't breeze through the Senate Judiciary Committee. Senator Howard M. Metzenbaum, Democrat of Ohio and Mr. Meese's most vocal critic on the panel, said there were inconsistencies between the Stein report and testimony heard by the committee. The Senator, as he has for months, called for Mr. Meese to ask the President "to withdraw his name from consideration for attorney general." But Mr. Reagan stood his ground, calling Mr. Meese "one of the most decent and honorable men I have ever known" and predicting that he would be "a truly distinguished attorney general."

Deal Is Struck On Hong Kong

Hong Kong, a financial giant that has long answered to absentee owners, got a further glimpse last week of what its present and future masters are planning. Britain and China announced a draft agreement transforming the British crown colony into a Chinese special administrative region for 50 years after Britain's 99-year lease expires in 1997.

The world's third largest financial center, Hong Kong accounts for nearly a third of China's foreign currency earnings, a powerful incentive for preserving its capitalistic allurements. The colony's stock market, welcoming the agreement, rose to a four-month high.

Agreements were reached on three final issues: restricting the nationality rights of more than two mil-

lion resident British citizens, among the colony's 5.5 million people; regulating sales and leasing of land by Hong Kong's Government; and dealing with civil aviation. Hong Kong Britons already are not entitled to live in Britain; their children will not have British citizenship.

In a statement of Chinese intentions and three annexes, the agreement reportedly retains Hong Kong's present free-market economic, social and judicial systems and promises local elections. The present school system and freedoms of religion and press are to be maintained. Hong Kong will remain a free port with its own freely convertible currency. A joint Chinese-British liaison group will monitor the transition until the year 2000. However, Deng Xiaoping, China's senior leader, has said Chinese troops will be garrisoned in Hong Kong.

The British Cabinet last week approved the accord, which is expected to go to Parliament in December for ratification. Negotiators will initial the draft Wednesday in Peking, just in time for Mr. Deng to receive congratulations on the agreement at the celebration on Oct. 1 of 35 years of Communist rule.

Minds Meet On Defense

The MX's might be a little slower moving off the assembly lines in the future, but if Congress goes along with a compromise struck last week the Administration will get a Congressional go-ahead to further accelerate military spending in 1985.

Under the agreement, which came after two weeks of private meetings between Senate majority leader Howard E. Baker Jr. and House Speaker Thomas P. O'Neill Jr., Congress would have to take two separate votes next year before construc-

tion of a batch of 15 MX missiles could proceed. But the military would draw \$29.9 billion in spending money for the fiscal year that starts Oct. 1, 5 percent more than it got for the current fiscal year. Even though the increase is larger than the level originally approved by the Democratically controlled House, Mr. O'Neill called the deal a victory for opponents of the MX missile. "In my opinion," he said, "the MX will never be deployed."

Congress has already approved construction of 21 of the 10-warhead intercontinental ballistic missiles; work on the additional missiles couldn't start unless Congress next year first cleared an authorization bill and then, separately, approved spending an extra \$1.5 billion. The agreement, intended to end a deadlock that has delayed action on other spending bills as well as a pending budget resolution, was said to have been acceded to by President Reagan, who initially asked Congress to vote \$13 billion for the Pentagon.

Not to the President's liking, how-

East Europe adapts the rules to fit the needs

4

ever, was some of the fine print in an emergency spending bill designed to keep the Government's lights burning after the new fiscal year starts next Monday. White House spokesmen said the President was prepared to veto the bill, which is due to come up in the House day after tomorrow, because too many election-year baubles (including home-district water projects) have been appended to the measure.

Elsewhere on Capitol Hill: Both houses unanimously approved a bill that would make it much tougher for the Government to cut off Social Security disability benefits. The bill, which the President is expected to sign, would, among other things, allow recipients to continue receiving payments until all appeals were exhausted.

Representative Fernand J. St Germain, Democrat of Rhode Island and chairman of the House Banking Committee, declared that with time running out — Congress wants to adjourn late next week — legislation that would vastly increase the growing power of the nation's banks was dead. The legislation, strongly supported by the Administration, had already cleared the Senate.

It seemed all but certain that a treaty outlawing genocide wouldn't make it to the Senate floor, even though it was approved 17 to 0 by the Foreign Relations Committee.

House and Senate negotiators reached agreement on the divisive issue in the Simpson-Mazzoli immigration bill when House conference members accepted a compromise making it easier for farmers to import foreign workers. The issue had pitted organized labor against agricultural interests. The bill would establish fines and prison terms for employers knowingly hiring illegal aliens and would offer legal status to several million aliens who entered the United States illegally before Jan. 1, 1981.

The Nation



Sidewinder missiles in production.

'Historic' Deal Ends Walkouts at General Motors

While 1984 is not 1970, when autos were a main engine of growth and a prolonged auto strike sent the economy into an early stall, economists and politicians of both parties concerned about their prospects in Middle Western industrial belt were breathing a little easier on Friday.

After two months of bargaining, and six days of selective walkouts that shut down more than half of General Motors' car and truck production, the United Automobile Workers and G.M. reached agreement on a tentative three-year contract. It was reported to include pay increases of 2.5 percent, and, more important to the union, which had made job security its No. 1 priority, a \$1 billion fund spread over six years to pay displaced workers until they can be retrained or rehired.

(Job security safeguards were also the key to a 40-month contract agreed on by negotiators for the United Mine Workers and the Bituminous Coal Operators Association. Ratification of the pact by the Oct. 1 deadline would mean the first settlement in soft coal without a strike in 20 years. Two decades ago, union miners dug 70 percent of the nation's coal; today, it is about half.)

Owen F. Bieber, the U.A.W. president, called the auto settlement "historic"; Alfred S. Warren Jr., G.M.'s vice president for industrial relations, said he was "delighted," and pickets shut down after 91,300 workers — one third of the G.M.'s workforce — left their jobs. Union officials predicted ratification but said they would have to work hard to sell the package on the shop floor. Memories of the million-dollar bonuses the companies paid their executives earlier this year still rankle the rank and file, as do the concessions they made in 1982, during the depths of the Big Three's sales slump.

Economic Links

Car sales and auto company profits have rebounded since the 1982 contracts were signed, largely because of restraints on imports. A set of reports last week dramatized the interrelations of the United States and the world's economies.

The broadest measure of the nation's foreign trade registered a record deficit of \$24.4 billion for second three months of the year, mostly as a consequence of the dollar's surging value against other currencies. An early report on economic growth for the quarter ending Sept. 30 showed a substantial pullback, to 3.6 percent at an annual rate, barely half the advance of the previous period; although business investment and Government purchases continued to rise, the increases were offset by the trade imbalance.

The decline in the gross national product was considered healthy by most economists, who had been concerned that the pace of recovery was inflationarily fast. The G.N.P. report, and indications that the Federal Reserve system has eased its reins on the money supply, were said to have prompted the Morgan Guaranty Trust Company, the nation's fifth largest bank, to reduce its prime lending rate to 12 1/2 percent, from 13 percent — the first decline since February 1983, when the rate came down to 10 1/2 percent from 11 percent. But many specialists were worried by the five-tenths of 1 percent increase in consumer prices in August. The gain, more than twice the average of the preceding three months, is the "first of a couple of months of bad news," said the Citicorp's Edward Guey. By spring, he added, inflation could be running at perhaps a 6 percent rate.

Missiles In the Shop

When the Sidewinder air-to-air missile works, it works very well indeed; witness the Israeli Air Force's successes last year in dogfights with Syrian aircraft. But a General Accounting Office investigator told Congress last week that thousands of the United States' Sidewinders, as well as its Sparrow missiles, are sidelined for maintenance or technical improvements.

Altogether, nearly one-quarter of the Navy's heat-seeking Sidewinders and one-third of its radar-guided

Sparrows are "unserviceable," that is, not available for combat. Frank C. Conahan, director of G.A.O.'s national security and international affairs division, said, "American ground troops have difficulties of their own, he added, reporting that 80 percent of the Marine Corps' radio-steered TOW antitank missiles have "safety problems," including rocket motors that tend to misfire, and so can be used only in "emergency situations."

In subsequent testimony, Lawrence J. Korb, Assistant Secretary of Defense for manpower and logistics, acknowledged that many of the Navy's air-to-air missiles aren't shipshape. But he told a House subcommittee on national security that Congress was partly to blame because it insisted that the Pentagon take bids from competing maintenance contractors.

High Road, Hard Road

The campaigning last week of Ronald Reagan and Walter F. Mondale provided a point-counterpoint on the styles and status of their runs for the Presidency. Wrapped in the panoply of incumbency and brimming with confidence, Mr. Reagan took care, as he has for months, not to mention his opponent by name. In Waterbury, Conn., which went on holiday for his visit, and before celebratory crowds in New Jersey and the Middle West, the President praised the voters for sharing in his faith in a revived America buoyant with patriotism, optimism and economic growth. "America is great," he said in Hammonton, N.J., "because America is good."

The former Vice President, meanwhile, doggedly pressed his specific economic and international policy concerns. But as he has done before, when the opinion polls are showing the potential for disaster, he turned up the heat. In rallies and speeches across the country, the "Fighting Fritz" who moved on the attack when Senator Gary Hart was moving ahead in the Democratic primaries took off his coat and tie and laid into Mr. Reagan. "What we've got here is a Hollywood, question-free, isolated President," Mr. Mondale said at one stop, and called his conduct "government by a smile button" at another.

While some previously skeptical local Democratic officials were impressed, last week's New York Times/CBS News Poll showed how far the Democrat will have to go. Even when Americans strongly disagree with Mr. Reagan on particular issues, the survey found, they tend to favor Mr. Reagan's re-election. Fewer than half the Democrats had a favorable opinion of Mr. Mondale.

A Harvest Of Gloom

Late September is usually a happy time for Florida citrus growers, with millions of oranges, grapefruits, limes and tangerines nearly ready for harvest. Last week, instead of farm workers preparing to pick the fruit, teams of inspectors swarmed through citrus nurseries in search of a virulent bacteria that threatens to destroy the \$2.5 billion industry.

They were followed by gangs of prison inmates who piled thousands of infected seedlings together and fired them. The smoke curling into the central Florida sky sent growers into an "hysterical reaction," according to Tropicana Products Inc., the processor that purchases nearly one-fifth of the crop.

The state had already halted all shipment of citrus products except from groves that have been certified free of the deadly citrus canker disease. Even then, fruit must be washed in a chlorine bath to kill any infection before it is shipped.

Some growers want the state to declare a moratorium on the harvest until they can eradicate the disease. The bacteria, a new strain of an organism wiped out in the United States just after World War II, is harmless to humans, but it can be spread to fruit trees by workers moving through groves. With two nurseries already burned, two set for the torch this week and 42 more quarantined, the price of citrus seedlings is expected to jump, but so far consumers have seen only slight increases.

Michael Wright
and Caroline Rand Herron

Bishops Deny Partisanship in Drive Against Abortion

Catholic Activism: Reasons and Risks

By JOHN HERBERS

BOSTON — The Roman Catholic Church has been plunged into American politics in a way that is unique in recent history. A sudden flurry of activity by the bishops of the Northeast has come at a time of conflict over the political activism of the Protestant right. It has raised questions about the constitutional barrier between church and state — and also about why the bishops have acted, seemingly on behalf of the President's reelection, within a church that in the past has been reluctant to appear too aggressive for fear of stirring a Protestant backlash of the kind that marred their relations for many years.

Last week, the Presidential candidates themselves pulled back from arguing the appropriate role of religion in politics, but the debate continued on other levels. Pope John Paul II, returning to Rome after a 12-day tour of Canada, took notice of the controversy by issuing a guarded statement that seemed to be a mild defense of his bishops in the United States. "The Church cannot be involved in politics as such," he said, a reminder of his earlier proclamation that clergy should not hold public office. "But," he added, "the Church has a duty to express itself in all moral problems and developments."

Recent expressions include: John Cardinal Krol of Philadelphia and Bishop Edward Heff of Buffalo have appeared at political rallies with President Reagan. At a Doylestown, Pa., rally the Cardinal spoke in behalf of Mr. Reagan's efforts to obtain tax credits for private and parochial schools.

The Archbishop of Boston, Bernard Law, in concert with 18 other New England bishops, issued a statement saying that abortion should be "the key issue" in politics. Mr. Reagan is opposed to abortion; his Democratic opponent, Walter F. Mondale, is for free choice. The statement was of particular interest because in March the United States Catholic Conference, composed of all 300 bishops, had carefully refrained from elevating any concern that could be interpreted as support for any candidate.

• The Archbishop of New York, John J. O'Connor, having said that he did not see how a Catholic could vote for anyone not opposed to abortion, attacked Representative Geraldine A. Ferraro, Mr. Mondale's running mate, for "giving the world to understand that Catholic teaching is divided on the subject of abortion." Bishop James Timlin of Scranton, Pa., joined in the attack.

At the end of the week, NBC News carried a report, attributed to unnamed Republican sources, that Reagan-Bush campaign officials had orchestrated antiabortion demonstrations against the Democratic candidates and sought to "encourage criticism by the Catholic hierarchy." The report was immediately denied as "outrageous" by a Reagan-Bush spokesman.

The picture is further complicated by the fact that Archbishops Law and O'Connor were appointed to their positions by the Pope recently, at the time he was making a renewed emphasis on opposition to abortion. Several Catholic officials said the two archbishops, both committed personally to the drive against abortion and to Papal doctrine, apparently have been acting on their own in the matter. And they insist their procedures are well within Catholic tradition.

Protestant Apprehension

There was evidence last week that if Protestant fear of Catholic influence has not been revived, it has not diminished as much as had thought in recent years. A broad coalition of Protestant churches, both mainstream and evangelical, filed suit against the Reagan Administration's exchange of diplomats with the Vatican, charging that it violated the First Amendment prohibition on the establishment of religion. The exchange had been approved with little evidence of opposition last year.

Catholics in the United States number 53 million and are the largest denominational voting bloc. In the past, the Roman Catholic Church was a church of immigrants, many of them poor and crowded into industrial cities of the Northeast and Middle West. But no longer. Next to Jews, Catholics have the highest incomes and educa-

tional achievement of the nation's religious groups. And although their church is still heavily involved in social services and help to the poor, many Catholics live in suburban affluence.

As independent belief on moral issues has grown, the church has been struggling to hold its members' allegiance. According to last week's New York Times/CBS News Poll, even Catholics who go to church every week or almost every week are evenly split over a constitutional amendment banning abortions. Jane McCann, a secretary of Irish heritage, one of several Catholics interviewed here last week, said, "I don't think the Church should have a say in it." If she were pregnant and without resources to rear a child, she said, she might have an abortion "even though it is against my religion."

Denial of Partisanship

The issue of abortion seems to be at the root of the new clerical activism in the political arena. The unwillingness of many Catholics to accept the Church's teachings only makes it more urgent in the minds of the bishops. Archbishop Law said in an interview with The New York Times last week that the estimated 1.5 million abortions occurring annually in the United States was a "primordial sin, a primordial darkness" that was corrupting society. By describing it as "the key issue," he said, he did not mean to promote Mr. Reagan's candidacy but to elevate the issue now and after November to the high level held by civil rights for blacks in the 1960's.

Nor were the attacks on Mrs. Ferraro partisan, he insisted, but rather prompted by her going farther than other Catholic politicians by saying the Catholic position on abortion was not monolithic. Two years ago, Mrs. Ferraro cooperated with a group called Catholics for Free Choice. It emphasized that Catholics were divided, which is what Mrs. Ferraro said she meant as well. To the hierarchy, this is unacceptable. "That's like saying Catholics for apartheid or Marxists for free enterprise," Archbishop Law said. "A Catholic believes as a Catholic." What the bishops were doing, he added, was "not a political strategy to elect someone or to defeat someone."

Reagan's Surge Could Shore Up the Senate

Democrats May Gain Seats but Not Control

By STEVEN V. ROBERTS

DES MOINES — When President Reagan came to Iowa last week, Senator Roger W. Jepsen was not just clinging to his coattails. The Republican, who is facing a stiff challenge from Representative Tom Harkin, stuck so close to Mr. Reagan that he seemed at times to be trying to climb inside his coat.

The President's campaign swing dramatized how his surging popularity is starting to affect other races on the November ballot. With the President leading Walter F. Mondale by 21 points in the latest New York Times/CBS News Poll, most Democratic strategists concede that their hopes of recapturing control of the Senate are fading fast. "The fact is," said J. Brian Atwood, director of the Democratic Senatorial Campaign Committee, "we will need a few breaks."

The Democrats got a break in Massachusetts last week, when Raymond Shamie, a conservative businessman, defeated former Attorney General Elliott L. Richardson for the Republican nomination for the seat of Senator Paul E. Tsongas, a Democrat who is retiring because of illness. National Republican strategists had generally agreed that Mr. Shamie would be a weaker candidate in November than Mr. Richardson, a man with wide government experience. But Republicans are not yet writing off Mr. Shamie, an aggressive candidate with money to spend in a state that is more conservative than it once was. The Democratic candidate, Lieut. Gov. John F. Kerry, had to fight through a tough primary, and does not hide his liberal views in a year when the liberal label is a distinct liability.

The Republicans now hold a 55-to-45 edge in the Senate, so the Democrats need a net gain of six seats to guarantee control. Mr. Atwood says that if the election were held today they would pick up four seats. Senator Richard G. Lugar, head of the Republican Senatorial Campaign Committee, estimates that in a "worst case" scenario, the Republicans would lose three. But even if the Democrats do not win a majority, a reduction in the Republican margin could give moderate Republicans more leverage in the Senate next year and force Mr. Reagan to compromise some of his more conservative proposals.

Easing Farmers' Pain

All Senate elections are a mixture of national and local factors. The Des Moines Register poll last week showed the President with a 23-point lead here. That is a major reason Mr. Jepsen has closed the gap with Mr. Harkin. But the agricultural slump has hampered Republican candidates throughout the Middle Western farm belt. The White House moved last week to mitigate the problem by announcing more "breathing room" for farmers, through a program of temporary interest subsidies and \$630 million in Federal loan guarantees. Farm debt has grown to \$215 billion, from \$185 billion in 1980; it was no accident Mr. Reagan announced the plan surrounded by vulnerable farm-state Republicans, including Mr. Jepsen.

After Mr. Jepsen, the most endangered Republican appears to be Senator Jesse Helms of North Carolina, the point man for conservative causes on the Senate floor and an expert in direct mail fund-raising. His contest with Gov. James B. Hunt Jr. has turned into the Super Bowl of political spending, with the total budget for both candidates exceeding \$15 million. Two weeks ago, Mr. Hunt got an edge on coverage when Hurricane Diana whipped through his state and he visited storm-damaged sites and enhanced his repu-



Senator Roger W. Jepsen (left) and Representative Tom Harkin.



Lieut. Gov. John F. Kerry (left) and Ray Shamie.



Gov. James B. Hunt Jr. (left) and Senator Jesse Helms.



Senator Rudy Boschwitz (left) and Joan Growe.

tation for effectiveness.

A third vulnerable Republican is Senator Charles Percy of Illinois, who narrowly survived six years ago against a political unknown. This year, he faces a more formidable opponent in Representative Paul Simon, a veteran politician well known in the state for his progressive image. One Republican strategist noted that Mr. Percy, a wealthy businessman, has always "left the impression that he is a bit better than the people he served." Moreover, farm problems are as bad in Illinois as they are in Iowa, and Mr. Reagan is not running nearly as well in his native state as he is nationwide.

According to analysts in both parties, the Senate seat almost certain to go from Republican to Democrat is the one being vacated in Tennessee by Senator Howard H. Baker Jr., the majority leader. Representative Albert Gore Jr., the son of a former Senator, is popular statewide. Republican Victor Ash is a State Senator who had to work hard for party leaders' support.

But for the Democrats to win the Senate, they would have to score some startling upsets. One possibility is Minnesota. Mr. Mondale's home state. Senator Rudy Boschwitz is a popular figure. His Democratic challenger Joan Growe, the

Secretary of State, hopes to tap the enthusiasm of women voters generated by the Democrats' Vice Presidential nominee, Representative Geraldine A. Ferraro of Queens.

In Texas, where Senator John Tower is retiring, Republican Representative Phil Gramm, a former Democrat, is running well ahead of Lloyd Doggett, a Democratic State Senator. But Mr. Gramm is running well behind the national ticket, and Mr. Doggett is trying to portray him as a conservative zealot. In Mississippi, Senator Thad Cochran also holds a commanding lead. But his Democratic opponent, former Gov. William Winter, is just starting a television campaign. In New Hampshire, Senator Gordon Humphrey seems more secure than he did early in the year. But Democrats hope Representative Norman D'Amours can still make it a fight.

Massachusetts still represents the best Republican hope for capturing a Democratic seat. Party officials dream of upsets against Senators Carl Levin in Michigan and David Pryor in Arkansas, but both Democrats continue to hold substantial leads. Strategists in both parties think the Republicans will keep the Senate with a reduced total of 52 or 53 seats. But the breaks of the final weeks could shift the balance either way.

The World

Gandhi Aides Step Back in Andhra Pradesh

Prime Minister Indira Gandhi surprised both friends and enemies last week when she allowed her supporters to step aside in the southern Indian state of Andhra Pradesh so that a popular opponent could reclaim his job as chief minister.

But her allies did not give up without a fight. As the 295-member assembly prepared to vote on the re-statement Thursday, fisticuffs broke out and the delegates hurled microphones at each other. It took 70 plainclothes policemen to restore order. It was an uncharacteristic and bloody retreat for Mrs. Gandhi. She had watched nervously as demonstrations spread across India this month in protest of the removal of Chief Minister N. T. Rama Rao on the pretext that he had lost his ruling majority in the assembly. Though she denied any involvement in last month's ouster, virtually everyone outside of her party held her responsible for what some critics called the "murder of democracy."

With national elections scheduled to take place before Jan. 20, Mrs. Gandhi found the protests draining much of the popular support accumulated in June when she ordered the army to crush an outbreak of terrorism by Sikhs in Punjab. And after 30 days, the chief minister installed by Mrs. Gandhi's allies had been unable to muster a majority in the assembly to form a new government.

That left her with the option of either running the state directly from New Delhi — a move bound to provoke even more demonstrations, despite its constitutionality — or letting Mr. Rama Rao return in triumph.

Mr. Rama Rao, a former film star often described as a charismatic political leader, rode to the governor's residence for the ceremony atop a 40-year-old van he calls his "chariot of divine enlightenment." It was a role he knows well. During his career as an actor, he starred in more than 300 films, often playing the part of a Hindu god. Nearly 100,000 supporters crammed into a stadium to celebrate his victory.

Although Mrs. Gandhi's allies accuse him of ruling with an authoritarian hand and of installing family members and friends in many key positions, Mr. Rama Rao has proved that she cannot match his appeal, at least on his home ground.

Israel Tackles Topics 1 and 2

Placing the possible and the unavoidable at the top of its list, Israel's new coalition Government last week dug into the major issues it can agree on — withdrawal from southern Lebanon and bailing out the economy.

Prime Minister Shimon Peres said the Government was committed to withdrawing troops from southern Lebanon "in a matter of several months." After discussions in Jerusalem, Beirut and Damascus, Brian E. Urquhart, a senior United Nations official, reported "real progress toward a new arrangement in southern Lebanon."

Israel reportedly wants to turn over responsibility for security in the region to expanded United Nations peacekeeping forces and the South Lebanon Army, a Christian-led militia that Israel is sponsoring. Confidence in this militia, however, was severely dented last week when some of its members (they were Druse) killed 13 Shiite Muslim villagers. The bloodshed, reportedly halted by the militia's commander and Israeli officers who interceded by stepping into the line of fire, "was an out-and-out massacre," a Western diplomat said in Tel Aviv.

The killings were apparently revenge for the deaths of four Druse militiamen ambushed the day before, the latest in a series of attacks against Israeli forces and their allies in southern Lebanon. The 15 militiamen were detained and their officers said they would be court-martialed.

As to the economy, awash in 400 percent inflation, Israel said it would cut \$1 billion from the \$20 billion

budget and raise income taxes, which already take 60 percent of average earnings of about \$1,100 a month. The Israeli shekel was devalued by 9 percent.

The austerity package, much of which still needs the acquiescence of powerful groups such as labor unions and teachers, will be discussed with President Reagan by Mr. Peres on Oct. 9 in Washington. Mr. Peres hopes to bolster Israel's case for an additional \$750 million to \$850 million from the United States, on top of the \$2.6 billion in economic and military aid already approved by Congressional committees.

A Side Trip To Siberia

Five Americans on an Alaskan supply boat found themselves in hot water in the Bering Strait. After making a delivery to a research ship north of the Arctic Circle, the *Frieda K* apparently veered off its southern course back to Nome and approached another craft to ask directions. "The vessel to which they sailed turned out to be a Soviet warship," John Hughes, a State Department spokesman, said last week. "Instead of getting directions, they got arrested."

After being held in a hotel in the Siberian town of Urelik for several days, the crew was put on board a Soviet icebreaker last week and handed over, along with their 120-foot boat, to a Coast Guard ship in international waters.

The United States had protested that the Russians waited four days before admitting that they had the seamen in custody. The State Department last week also complained about reports that the Soviet Union had tried to force the Americans to sign a document declaring that they had intentionally violated Soviet territorial waters.

Noting that it was "quite possible" the crew had sailed across the maritime border by accident, Mr. Hughes said the voyage was nonetheless "quite innocent." The *Frieda K*'s intended route would have taken it past the Seward Peninsula, about 25 miles from Soviet territory.

It Takes Two to Untangle in Chad

Libya's Col. Muammar el-Qaddafi, regarded by many in the West as the world's leading terrorist, appears to be trying a new strategy: moderation. In a joint communiqué last week, Libya and France announced they had agreed to a "total and simultaneous" withdrawal of their troops from Chad. This follows last month's federation between Libya and pro-Western Morocco.

The agreement on Chad came during a secret weekend visit to Tripoli by French Foreign Minister Claude Cheysson. Observers from both countries will oversee the withdrawal, due to begin this week. "The principle is: they stay, we stay; they go, we go," Mr. Cheysson said. France, an ally of Chadian President Hissen Habré, sent in about 3,000 troops 13 months ago after the town of Faya-Largeau fell to the Libyan-backed rebels loyal to the former leader, Goukouni Oueddei.

Moroccan officials said the French-Libyan withdrawal justified their federation with Libya, an arrangement that surprised and angered the United States. The Moroccan leader, King Hassan II, who wanted to stop Libyan aid to Saharan rebels, has said the agreement will encourage Colonel Qaddafi to be more moderate.

Many diplomats say that Libya's retrenchment has less to do with diplomacy than with Colonel Qaddafi's decision to devote his attention to economic problems and political unrest at home.

In Chad, where the French have intervened five times in the country's 20-year civil war, Government officials learned about the deal from the press. Once the French leave, they contend, the Libyans will come back and the fighting will resume.

Katherine Roberts,
Milt Freudenheim
and Henry Gholzer

Verbatim: Small but Worldwide

"Our country has known peace, but also war; wealth, but also poverty; energetic commerce, but also isolation; development, but also exploitation; self-government, but also foreign rule. All this has not been without benefit to us. It has taught us to appreciate the realities of the world. . . . In the world of today, the collective strength of the United Nations is the ultimate hope for us small countries."

Sultan Hassan al-Bolkiah Muizaddin Waddaulah, the 38-year-old ruler of Brunei Darussalam, in a speech to the General Assembly on the occasion of his newly independent country's admission as the 159th member of the United Nations. Brunei, a former British protectorate on the northwest coast of the island of Borneo in the South China Sea, is slightly larger than Delaware and has a population of 200,000. With its oil riches, it is one of the most prosperous United Nations members.

Agreement Last Week Would Send Aid to South From North

The Koreans Turn Civil, If Not Quite Neighborly

By CLYDE HABERMAN

SEOUL, South Korea — North and South Korea make direct contact so infrequently that any meeting becomes an event. Usually, everyone concerned goes home as angry as ever, but last week something different happened. The two Koreans, in sessions at Panmunjom in the demilitarized zone, may actually have agreed on something.

After several false starts and reversals, they settled upon a way for the North's Red Cross organization to make good on an offer to deliver rice, medicine, cloth and cement to victims of recent floods in the South that killed 190 people and left 200,000 homeless. The supplies, worth an estimated \$12 million, are to be sent by truck to Panmunjom and by ship to the South Korean ports of Incheon and Pukpyong. The South's Red Cross said that it would pick up the supplies, if given three days notice and if they are delivered by next Sunday.

Thus far, North Korea has not said when, or if, its material will be sent. The mere prospect of an exchange was significant because it would be the first such occurrence since before the Korean War, but South Korean Government officials and foreign diplomats were holding on to their skepticism. There are still countless ways for the shaky deal to collapse, and in any case there is no reason to suspect that a small transfer of goods would greatly alter the balance of hatred on the Korean Peninsula.

Most South Koreans have no faith in North Korean motives. The general assumption is that the leaders in Pyongyang are looking to soften an international reputation that reached a new low last year when they were held responsible for the bombing in Rangoon, Burma, that killed 17 South Koreans. If the North were interested in more than propaganda, the argument goes, why did it insist initially on trucking relief supplies all the way into Seoul — a spectacular photo opportunity obviously unacceptable to the South.

However, South Korean officials are hardly



South Korean and North Korean representatives shaking hands in Panmunjom last week.

above propaganda themselves, and it appeared they had accepted the aid offer largely because they felt a rejection would look bad. South Korea can take care of itself, they asserted, scoffing at the quality of North Korean rice and questioning the Pyongyang Government's ability to deliver it. "I'm afraid there is no basic underlying trust and confidence with each other," said Hong Soon-young, an adviser to South Korea's President Chun Doo Hwan. "So we cannot tell, even if these goods are delivered, whether it will be an opening for further exchanges."

Two-Way Overtures

That perception is unfortunate, say experts who believe that the North's recent actions may not be only attempts at one-upmanship. In the nearly full year since the Rangoon bombing, the Pyongyang Government has endorsed a new formula for peace talks, suggested that the Koreans field a unified Olympics team and, now, offered some of its rice. President Chun has not been idle either. He proposed on Aug. 20 that North Korea accept economic and technical assistance from Seoul.

None of these ideas have gone anywhere, but the busy pace of the last few months suggests that the two sides are interested in more than mere window-dressing.

North Korea, some argue, may have found it too tough to be isolated diplomatically and to limp along on a reportedly sagging economy that devotes nearly 25 percent of the gross national product to the military. Evidence of the concern came this month when North Korea announced a new law aimed at luring foreign investors for a

range of industrial and commercial enterprises. No businessmen from abroad are likely to rush to the North soon, but it seemed possible nonetheless that the Government in Pyongyang had decided to take note of China's present flirtation with free-market economies. One difficulty is that North Korea remains a fenced-off enigma to most outsiders, and the recent overtures may be just the latest instance in which its leaders opened the door slightly before skittishly shutting it again.

South Korean analysts are convinced that the North has not abandoned its desire to reunify the peninsula by force under Communist rule. Technically, one Korea is a basic Southern goal, too, as evidenced by the continued existence of the Ministry of National Unification. Government policy, however, is to seek "cross-recognition" of the separate Koreans by their benefactors, the United States and China. On a visit to Tokyo this month, Mr. Chun extracted Japanese support for his ambition to have both Koreas admitted to the United Nations, as the two Germans were in 1973. That might be regarded as formal acknowledgment of permanent division.

As for the United States and China, both seem eager to encourage Korean moderation for their own reasons. And the Soviet Union, although agreeing last spring to send MIG-23 planes to North Korea, has kept a reserved distance from its ally. Apparently, all sides feel that anything that reduces tensions cannot be bad. Talks at Panmunjom and speculation about whether rice-laden trucks will move southward may not amount to much, some say, but they beat more familiar bombast — and, certainly, bombs.

Marxist Government Cautiously Tolerates an Ancient Faith

Ethiopian Church Reasserting Itself



Ethiopian Orthodox monk holding an illustrated Bible.

By JUDITH MILLER

ADDIS ABABA — Two weeks ago, when Ethiopia celebrated the 10th anniversary of the revolution that overthrew Emperor Haile Selassie, monuments were erected throughout the capital: billboards of the Communist trinity of Marx, Engels and Lenin, portraits of the Ethiopian leader Mengistu Haile Mariam and giant yellow stars bearing the hammer and sickle.

But in the back of the Mercato, Addis Ababa's squalid sprawling market, a different kind of monument is being built. Each day for the past four years, hundreds of Ethiopian Christians have hand-carried slabs of sandstone from a quarry on the opposite side of the city for a massive church they are building. The church, still surrounded by a web of wooden scaffolding, has four giant domes, stands 150 feet high and covers 5,249 square feet.

Bel, the amateur architect who is supervising its construction, said that when it is finished two years from now, St. Michael's will be the largest church in Africa outside of Egypt. It will also be filled every Sunday, he predicted.

After a decade of rigid revolutionary fervor and "scientific socialism," many Ethiopians are returning to their ancient church and faith.

While some clerics dispute the term revival, they acknowledge that there has been a significant upsurge recently in church attendance and in the observance of the fasts prescribed by the Ethiopian Orthodox Church, the dominant religion in the country for nearly 1,700 years. Explanations vary, but many here agreed that the renewed interest in religion reflects passive and popular resistance to the Government.

So far, the socialist leaders have only rarely confronted the Orthodox Church, to which at least 12 million of the 40 million Ethiopians belong. About two years after the revolution, the Government removed the elderly church patriarch and insisted on new elections.

The Egyptian Coptic Church, historically the most closely related to Ethiopia's, refused to recognize the election of the new Patriarch, Abuna (which means "our father") Tekle Haimenot. The two churches have had little official contact since then.

The Ethiopian Church has almost always gone its own way. Isolated for centuries from the mainstream of Christianity, the church has many unusual practices.

The Patriarch intones the rites in Ge'ez, the ancient Semitic ecclesiastical language of the faith. Its members observe strict dietary laws that are similar to those of the Jewish faith, and remove

their shoes in the church as Muslims do upon entering mosques.

Before the revolution, the Orthodox Church was recognized as the state religion. In 1974, the new Government proclaimed religious freedom and made all religions equal. That move was welcomed by the country's Muslims, who constitute at least 50 percent of the population. The vast land holdings of the church were nationalized.

Since then, the Government has indirectly tried to dissuade churchgoing. For example, kebeles, the neighborhood councils that control food distribution and most benefits, often schedule compulsory political meetings to compete with church services, Christians say. Moreover, political activists take down the names of churchgoers and openly call many of the church's practices "reactionary" and "backward."

Private Money

But the church is too deeply rooted to destroy, many Ethiopians say. St. Michael's is being financed entirely from private contributions — a difficult task in a country that is one of the world's poorest and where a famine, brought on by drought, is worsening. "A committee has solicited donations from the public, from 1 birr to 1,000, whatever our people can give," said Bel, who described himself as a devout Christian. (The birr, the basic unit of currency, is worth 50 cents.)

Church members hope for some help from the state, however. They have asked the Government to waive duties on imports of copper and aluminum, which are needed to cover the cupolas of the church and seal them from rain.

Although St. Michael's is the largest church to be constructed so far under the revolutionary regime, in the last decade 15 other churches have been built, more than at any other time in Ethiopian history, some clerics said. As long as the church stays clear of politics, they said, the Government will probably not attempt to interfere with it.

Other churches in Ethiopia have not been as fortunate. The Government closed churches and schools of the Lutheran-related Mekane Yesus denomination, apparently because members of the Oromo tribe who had launched a secessionist movement belong to that church.

In addition, many Falashas, or black Jews, have been arrested and otherwise mistreated, according to several reports. Most of them live in the northern part of the country. Because of the famine and of what they call discrimination, many have fled across the western border into the Sudan. The Jewish population, which once numbered 20,000, has been reduced to about 8,000, according to the American Association for Ethiopian Jews.

Some Ethiopians said that the resurgence of Christianity reflected Ethiopian nationalism, a powerful force since ancient times.

"Scientific socialism, the statues of Lenin, the omnipresent Communist slogans, these socialist icons have little to do with Ethiopia," a church member said. "For most of us, the cross is still more Ethiopian than the hammer and sickle."

Bonn Agrees that Pan-Germanism Is Not in the Cards

For Both East and West
Two Germanys Is Better

By JAMES M. MARKHAM

BONN — "Everybody agrees that the two Germanys should have good relations. It should be clear, however, that pan-Germanism is something that must be overcome. There are two German states and two German states must remain."

Those three sentences, uttered by Italian Foreign Minister Giulio Andreotti at a Communist festival in Rome, unleashed an outburst of withering anger in Bonn last week. Belabored daily by Moscow as a Hitlerian "revanchist" conspiring to restore the boundaries of the German Reich, Chancellor Helmut Kohl reacted as if he had been stabbed in the back by Mr. Andreotti, a fellow Christian Democrat. Bonn bubbled for days with accusations of "defamation" as anguished commentators elucidated the distinction between "pan-Germanism," a truly revanchist concept embracing all German-speaking lands, and Bonn's more modest policy of pursuing better ties with Communist East Germany.

Mr. Andreotti, who seems to have been seeking Com-

munist support for a presidential bid, finally mumbled something that sounded like an apology to Bonn. But Bruno Kreisky, the former Austrian Chancellor and no pan-Germanist, couldn't resist rubbing salt in the wound: "What Andreotti said about German reunification is also the view of many Western politicians." In East Berlin, Neues Deutschland, the Communist party daily, saluted the Italian minister's remarks as a contribution to peace, cooperation and trust among nations.

The Andreotti episode, painful for Bonn, caused official glee in East Berlin, suggested that Mr. Kohl, a talkative politician who is not always careful with his words, has an international public relations problem in selling his *Deutschlandpolitik*. Although his NATO allies generally applaud the wooing of East Germany and the forging of economic ties that make it increasingly dependent on Bonn, few statesmen in Western Europe would favor upsetting the postwar system built around two German states. With his windy speeches about German reunification, a carry-over from his many years as an opposition leader, Mr. Kohl regularly invites misinterpretation of what his Government is doing while deliv-

ering grist to the Soviet propaganda mill and rattling chanceries in places like Paris and Warsaw.

The atmospherics of German-German détente have been far more spectacular than the signed accords, which historians might one day look back on as stepping-stones to German unity. The rush of West German politicians to the annual Leipzig fair in East Germany and their smiling encounters with Erich Honecker, the East German leader, have drawn more attention than modest agreements on postal exchanges, river pollution or West Berlin's assumption of control over its stretch of the divided city's elevated train. Bonn has approved two private bank credits worth \$730 million to East Germany, and in return Mr. Honecker has made it easier and cheaper for West Germans to visit friends and relatives in the East. This year, a record 30,000 East Germans were allowed to emigrate legally westward, but for East Berlin this was a one-shot deal.

German-German Trade

Had Moscow not scuttled his planned visit to West Germany this month, Mr. Honecker might have been able to advance slow-moving talks on accords normalizing cultural and scientific exchanges. But thoughtful policymakers in East Berlin and Bonn are now acknowledging privately that public expectations for the visit had overshoot anything it might have achieved. "It would have been worse for him to have made the trip and for it to have accomplished nothing," a senior official said in Bonn. "It may not be all bad that we now have a pause, a time for reflection."

Even without a political push, economic forces are tugging the two Germanys together. After the Soviet Union, West Germany is East Germany's biggest commercial partner. In the last decade, German-German trade has almost doubled to \$5 billion a year. Some 6,000 West German firms specialize in business with East Germany, where cheaper labor turns out everything from shirts to cigarettes for the duty-free West German market. Gifts from friends and relatives in West Germany bring an estimated \$1 billion into the East every year. But Horst Lambrecht, a West Berlin-based economist, noted that East German planners have systematically striven to diversify access to high technology through contacts with Austria and Japan. "We have a tendency to exaggerate the extent to which their well-being is dependent on us," Mr. Lambrecht said.

There seems little danger that "pan-Germanism" is about to be realized in the heart of Europe. The 17 million East Germans are still locked in behind a wall, and emerging generations of West Germans know a united Germany only from textbooks and their grandparents' reminiscences. The great ideological fault line of the 20th century between Communism and capitalism cleaves the German Democratic Republic from the Federal Republic. And paradoxically, Bonn's policies of improving the lot of indivisible East Germans tend to stabilize and consolidate Communist rule. A disciplined and well-fed Communist consumer society is unlikely to rise in revolt. Yet the searing memories of Hitler's war appear to guarantee that the small steps the two Germanys take toward each other will excite fears out of proportion to reality. All the more reason for Mr. Kohl to watch his language.



East German leader Erich Honecker (left) with West Germans at the annual Leipzig fair earlier this month.



Correct/Glasgow Glasgow

A Managed
Economy Can
Turn Unruly

By MICHAEL T. KAUFMAN

SARAJEVO, Yugoslavia — Surveying the new economic strategies of East Europe's Communist states, a Roman Catholic history professor who is a close adviser to the Solidarity movement in Poland observed, "One by one, they are confronting their fictions." Whether these governments are indeed conceding the existence of critical flaws in state-managed economies is debatable. But many are casting about for ways to stimulate productivity while leaving Communist control unthreatened. Once-taboo words such as "incentives," "motivation" and even "free market" are regularly used in discussions about spurring productivity.

In Poland, a program of private small businesses financed by Poles abroad is viewed as a pilot project for wider private initiatives. The Government has also offered bonuses and special shopping rights to lagging coal miners, who thereupon began digging at a record pace. Hungary is implementing "new economic mechanisms" that reward initiative and hard work. And Yugoslavia, with its idiosyncratic system of decentralized, worker-managed socialism, is actively debating the rationalizing of the economy by adopting features of a free market. "Why is it," a Yugoslav official asked last week in Belgrade, "that we Yugoslavs are in much demand in German factories where we work hard, and yet when we work in our own factories we are not so hard-working?"

The challenge to old economic myths has been intensified by recognition that while no federal authority was counting, Yugoslavia's decentralized components acquired \$20 billion in foreign debts. Later, as Western governments and banks put together refinancing, the authorities found mountains of evidence of misdirected investment and waste. Yugoslavia has several competing steel mills with surplus capacity, more refineries than can be economically useful, a railroad system with eight competing segments that snarl transportation, and expensive new mines that produce unsalable low-grade ore. Self-examination and self-criticism have unveiled juicy scandals, the most recent concerning a decade of systematic pilfering of tons of silver by a ring of self-managing mine workers.

A new Yugoslav law requires self-managed enterprises that are chronic losers to reduce wages to the legal minimum. Yugoslav economists are noting that in the absence of a workable bankruptcy procedure, there has been no way to get rid of losing concerns. "This has led to undisciplined investment," said Oskar Kovacs, dean of the Belgrade University economics faculty.

Hungarians, meanwhile, can bid on failing Government establishments, taking them over for set periods in exchange for a percentage of profits. Formerly unprofitable Government restaurants, workshops and stores have reportedly been moved into the black. In Hungary, Poland and Yugoslavia, steps are also being taken or considered to link pay scales to a factory's productivity.

These initiatives are not universally applauded. Doctrinaire Communists say they negate socialist egalitarianism, arguing that it is unfair for people to be paid differently just because they happen to work for more, or less, productive plants. Often, the reformers reply, such critics are patronage-dispensing bosses with a vested interest in maintaining inefficient work units.

Under Yugoslav self-management, a system developed under Tito to counter the concentration of centralized bureaucracy, small units such as workers in the motor pool of a construction company are supposed to make decisions about dividing resources and setting pay and work schedules. But as the foreign debt crisis forced more and better accounting, central authorities found instances of faulty planning, with three and four plants producing the same things, and great waste.

When Activists Take Over

No one has questioned the commitment to self-management, one of Tito's hallowed doctrines that hold this diverse country together. But some officials are suggesting that too many key decisions have been taken by too many small units and that for the sake of efficiency, entire companies — that is, the entire construction company, rather than the motor pool — should make and implement decisions. They have also suggested strengthening institutions such as the central bank to tighten responsibility and discipline in decentralized decision-making.

While self-management is undergoing reappraisal and refinement in Yugoslavia, where it is most deeply entrenched, it is proving something of an allure in Poland. Self-management teams have been installed in some factories in what appears to be a Government attempt to fill the vacuum left when the Solidarity unions were banned. The new Government-sponsored unions have generally failed to attract enthusiastic members or to stimulate a vigorous work ethic and self-management groups have been established alongside them. How the two institutions will divide duties and ambitions is still unclear.

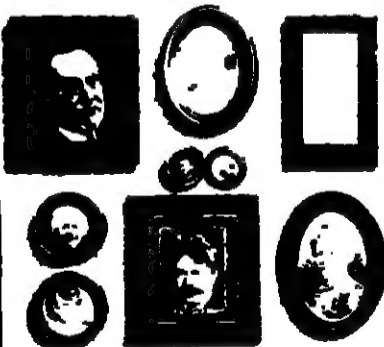
According to reports from factory workers, the Polish self-management teams most effective in defining roles and motivating workers are those that have been taken over by former Solidarity activists. They are making progress, notably at the Warsaw steel plant, worker sources say, in balancing productivity and compensation. Whether they can succeed is likely to depend on how much political opposition is mustered to what the Catholic professor called "confronting their fictions."

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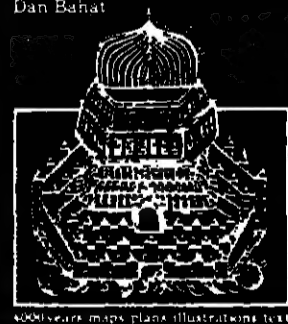
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The Shrinking of the Steel Industry

The new quotas may help for now. But the U.S. industry's troubles run deep.

By WINSTON WILLIAMS

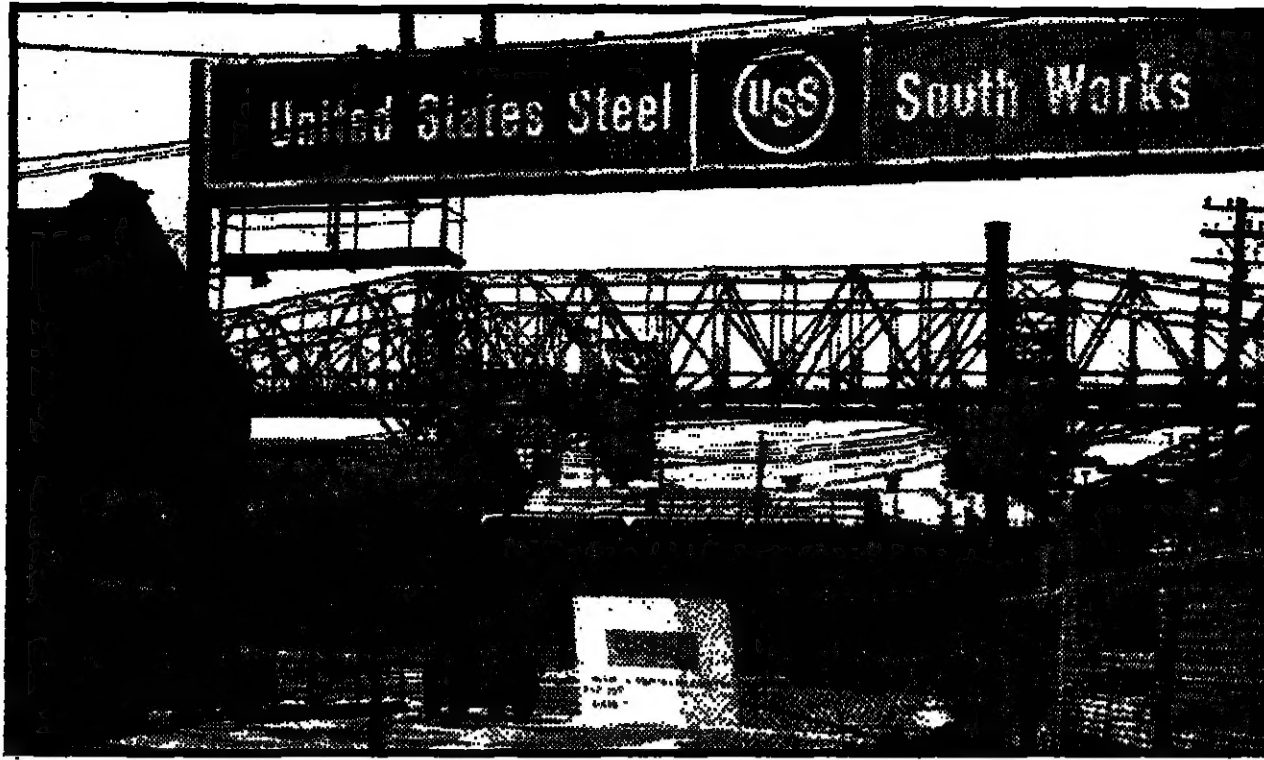
FOR two decades, Washington has been trying to stanch the American steel industry's hemorrhage with protectionist Band-Aids. It seems that almost every election year, the incumbent inaugurates some version of quotas, duties, tariffs on selected products, or cumbersome trigger price mechanisms.

But despite the initial fanfare, the protection has had little long-term effect on the health of the American steel industry. Unable to generate the cash needed to modernize their plants so that they can compete in a world characterized by a surfeit of steel-making capacity, American steel companies have continued to shrink, and fast.

Last week the Reagan Administration, in a move highly reminiscent of one tried by Richard Nixon nearly 20 years ago, unveiled a program of "voluntary" import quotas as its version of a plan to save the industry. The Administration wants to extend to the rest of the world its formal agreement with the European Economic Community and its similar but informal "understanding" with Japan. Although the plan has no built-in enforcement mechanism, the Administration expects that it will bring global steel imports down to 18.5 percent of the American market from 25 percent now.

Even if that projection turns out to be true — and not all steel industry analysts are sure it will — few experts say that it will cure the ills of the American industry. At best, the critics say, the wall being erected around steel will buy a little time for companies to refine their retrenchment strategies — strategies that increasingly revolve around scaled-down facilities and mini-mills that reprocess scrap rather than refine ore — and to pick more profitable product niches. But they expect that any beneficial effects of protection will crumble eventually under the onslaught of market forces.

"There was nothing the President could do in the area of trade that would save the industry from the restructuring it's undergoing," said Louis L. Schorch, an economist for the Congressional Budget Office. "There is still too much domestic capacity, and the industry will continue to shrink," added Joseph Weisman, a steel analyst for Shearson Lehman/American Express.



A steel plant near Chicago — one of many to shut down in recent years.

The sorry state of many American steel companies is painfully illustrated by the idleness of many of the grand old steelmaking complexes. Ore boats have ceased calling at the ports of Bethlehem's shuttered Lackawanna plant outside Buffalo. Clouds of smoke no longer billow from the encrusted stacks of United States Steel's Homestead, Pa., Works. And the gates of U.S. Steel's South Works in Chicago are padlocked.

Analysts predict that more furnace fires will be quenched and more rolling mills tossed on scrap heaps, leaving additional tens of thousands steelworkers in retraining classes and on the unemployment lines.

The numbers support that gloomy view. The industry's combined operating losses and write-offs totaled more than \$10 billion in 1982 and 1983, despite the start of the general economic recovery in those years. According to a recent report by the Congressional Budget Office, since 1980 steel companies have spent an average of \$2.2 billion annually on capital projects, \$3.3 billion less than they needed to spend to stay competitive. The imposition of quotas could provide the steel companies with the investment capital that they need by 1989, but only if they paid no Federal income taxes, a highly questionable assumption. Moreover, the American industry is operating at only 57 percent of capacity, and analysts say that many steelmen would be reluctant to plow profits back into an industry with such bleak prospects.

Ironically, the import plan may make investing in American steel companies more attractive for foreign steelmakers. Many are likely to see investing in American companies

as a way to offset the negative effect of quotas on their United States sales.

It is already happening to some extent. Japan's Nippon Kokkan has bought half of National Intergroup's steel subsidiary. Brazilians own 25 percent of Kaiser. And steel executives say that Sumitomo has put out feelers to several American steel companies about investing in their companies.

Still, American steel executives, seeking reasons for optimism, chose to focus last week only on the immediate short-term benefits of the Administration's plan. David Roderick, the chairman of giant United States Steel, bullishly predicted that the plan would result in an annual 7 percent to 9 percent increase in industry shipments from this year's estimated 75 million tons. And that, he said, would take at least 35,000 steelworkers off the unemployment rolls.

No steel executive suggests that the plan will resurrect all of the dead and dying steel complexes. "It won't do much for Lackawanna," acknowledged Donald Trautlein, chairman of second-ranked Bethlehem Steel. But, he added, better prices and higher profits could enable Bethlehem to complete the modernization of its huge Sparrow's Point plant outside of Baltimore. Bethlehem wants to spend \$300 million on finishing equipment to complement the \$1 billion it has already spent on coke ovens and furnaces at that plant.

Even if cash flow does improve for the steel companies, complete modernization of such large, integrated plants will likely be the exception rather than the rule. The industry increasingly is turning to "mini-mills" — scaled down versions of the huge

steel complexes of the past — and "mini-mills," which are small, specialized mills that do not use bulky and costly raw materials such as iron ore and coal, but instead melt steel scrap in electric furnaces. Such mini-mills and mid-mills, most of which are non-unionized, are the only growing and consistently profitable part of the industry. They account for about 20 percent of steel production today, up from 3 percent in 1960.

Analysts predict that such plants will eventually be sprinkled across the country, thus eliminating the need

"Why are slabs being treated so well?" Ernst Wimpfheimer, a vice president of the American Institute for Importers of Steel, asks rhetorically. "It's because there's only one market for slabs, and that's the integrated steel industry."

Indeed, many steel companies, particularly U.S. Steel and LTV's Jones & Laughlin, already import slabs because, they insist, it is often cheaper to buy slabs abroad than to make them here. But the United Steelworkers of America is bitter about the preferential treatment for slabs. It claims that, if steelmakers stop making semi-finished steel themselves, it will mean the elimination of even more jobs.

Indeed, imported slabs were a bone of contention between the companies and the unions well before the Administration's new plan was announced. U.S. Steel tried last year to import slabs from British Steel for use at its antiquated Fairless Works near Philadelphia. Fairless can produce its own slabs but the plant relies heavily on open-hearth furnaces, the messiest and most expensive steelmaking technology around.

The unions raised a storm of protest. U.S. Steel finally dropped the plan, although it continues to use imported slabs at other plants.

The American steelmakers will continue to welcome slabs and other imported materials that do not compete with them in finished-product markets. But the specter of a continued flood of cheap foreign products continues to raise doubts over whether the American industry will ever recapture enough of the domestic market to enable it to maintain state-of-the-art plants.

"In the long run it doesn't matter how efficient we become, if subsidized foreign steel denies us profits to

In recent years steel companies have continued to pay dividends to their shareholders rather than reinvest all of their profits in steel. What money they did reinvest frequently went to non-steel areas. Government officials and union leaders were enraged when United States Steel purchased Marathon Oil after it got concessions on labor costs, environmental controls and imports. National Intergroup, meanwhile, owns financial institutions, and Armco has moved into insurance.

A bill covering import quotas pending in the House of Representatives would have insisted that steel profits derived from protectionist measures be reinvested in the steel business. But there are no such provisions in President Reagan's proposals.

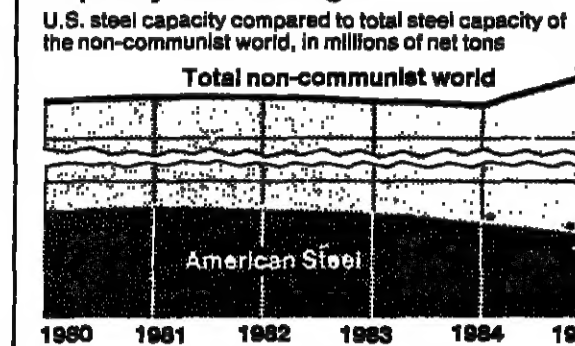
Inland and Bethlehem are likely to remain pure steel companies anyway. They say they will continue to modernize their steel facilities. And Jones & Laughlin, which merged with Youngstown Sheet and Tube a few years ago and with Republic this year, has expanded its investment in steel through acquisition.

But Robert Crandall, an economist at the Brookings Institution, says that quotas could remove some of the pressure to modernize, and thus cause these companies to fall behind technologically. "Never in the past has a bout of trade protectionism resulted in an increase in real investment," he said.

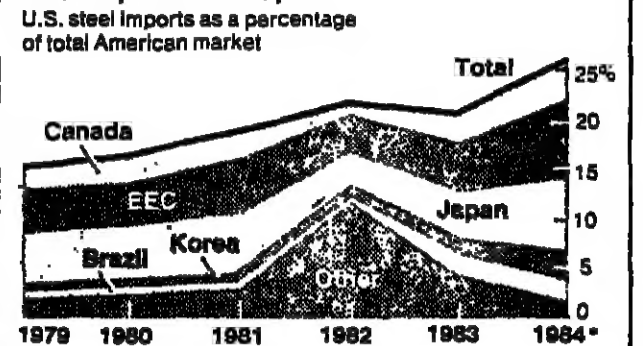
The "voluntary" restrictions, although backed up by strong sanctions against countries that refuse to cooperate, may yet prove to be unenforceable. Previous administrations that drew up plans were lax in enforcing them. In fact, Mr. Roderick took great pains to emphasize last week that he had sought assurances from

A Crumbling U.S. Industry

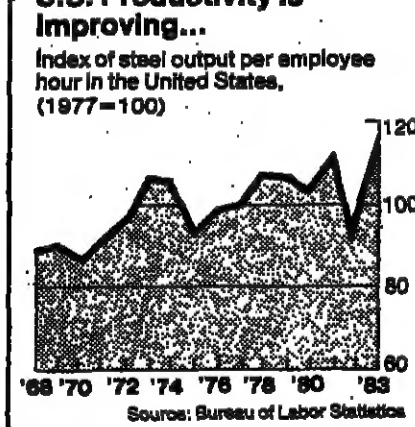
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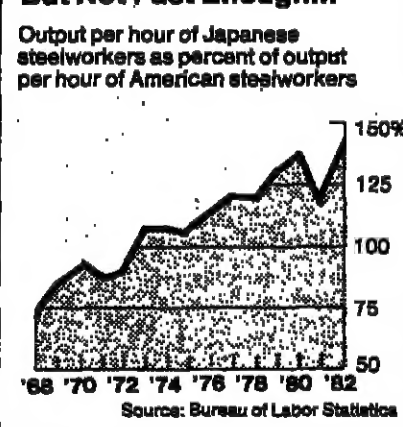
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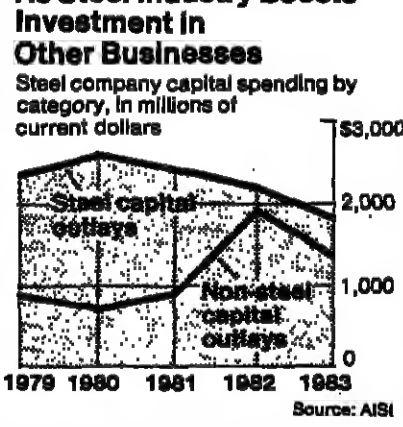
U.S. Productivity Is Improving...



But Not Fast Enough...



As Steel Industry Boosts Investment In Other Businesses



WEEK IN BUSINESS

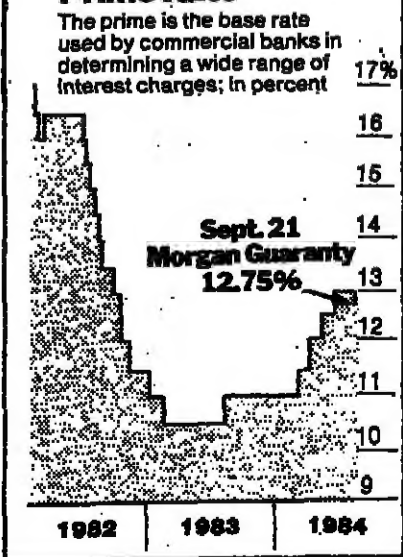
Morgan Guaranty Cuts Its Prime Rate

Morgan Guaranty cut its prime rate on Friday by one-quarter of a percentage point to 12 1/4 percent — the first reduction in the key lending rate since February 1983. Though no other major banks followed Morgan's lead, analysts predicted the big banks would drop their prime rates in the near future. The cut comes at a time when interest rates have declined, when the economy has slowed appreciably and when many Federal Reserve watchers are convinced that the central bank has eased its monetary policy. If the drop becomes an industry-wide move, this should weaken interest rates further, analysts said.

The dollar went into a free fall on foreign exchange markets, partly in reaction to the prime rate cut, partly because the Labor Department reported a five-tenths of one percent spurt in consumer prices during August, but also because of a huge intervention effort on the part of the West German central bank to support its sagging mark. The Deutsche Bundesbank reportedly spent \$450 million to support the mark, which had fallen as low as 3.17 to the dollar. Once the dollar began to fall, it lost about 4 percent of its value against the mark in 90 minutes, closing in New York at 3.043 marks. The dollar also fell against the British pound and French franc, after having set all-time highs earlier in the week.

And the U.S. economy displayed more evidence of a slowdown, long desired by economists and the White House. The Government's "flash" report on third-quarter growth showed a 3.6 percent annual rate of increase

Prime Rate



after factoring out inflation. The rise was one half the rate of growth of the second quarter and somewhat below economists' expectations. The potential benefit for President Reagan's re-election chances sparked some response from the A.F.L.-C.I.O., which called the flash "bad news for working people" adding that "a new recession is approaching more rapidly than expected." More evidence of a weaker economy showed up in housing starts for August, which fell 12.8 percent to the lowest rate since August 1982.

Reaction in the markets was negative to the dollar's plunge. After moving lower during most of the week, interest rates popped up on Friday out of fears that the Fed might have to tighten its credit policy again to buoy

the dollar. The Government's 30-year bond closed the week yielding 12.27 percent and M-1 jumped \$7.8 billion. Stocks took a beating throughout the week in heavy institutional trading. The Dow fell almost 37 points to close at 1,201.74.

After a six-day strike that saw 17 General Motors plants idled and at times acrimonious bargaining sessions, the United Auto Workers and G.M. agreed on a three-year pact that increased wages and benefits and provided greater job security for workers threatened by layoffs. Though no details were released by either side, sources said the first-year wage increase would total 2.5 percent and that G.M. had agreed to set up a \$1 billion fund to pay displaced workers. The union called it an "excellent settlement." G.M. said it came out of "the negotiations in a better position than we went in."

Austerity among the banks continued, as Chase directed it staff to cut expenses by 6 percent from the amount budgeted at the beginning of 1984, according to an internal document. Thomas G. LaBrecque was reportedly responsible for the move, which is expected to cut the workforce to 37,900 from 39,900 by year-end. Citibank recently initiated similar belt-tightening moves.

Ashland Oil will have a one-time loss of \$270 million for the year ended Sept. 30 because of the planned sale of its non-petroleum business acquired in 1981 and the closing of a money-losing mechanical venture. The large independent oil refiner plans to put its insurance unit, Integon, up for sale as

well as certain technology operations. Analyst welcomed Ashland's attempt to rid itself of its non-oil and chemical operations.

R.J. Reynolds plans to sell its Amnol unit to Phillips Petroleum for \$1.7 billion, a move that would constitute one of the largest corporate divestitures. The sale will complete the large cigarette company's return to its primary business. It will also continue a recent trend on Wall Street — Reynolds said it would use a big portion of the proceeds for a major stock repurchase plan.

Northwest Industries agreed to accept a leverage buyout offer from an investor group headed by Kelly, Briggs & Associates, a Chicago partnership, and Oppenheimer & Company that was valued at more than \$1 billion. Shareholders would get \$50 a share in cash, plus one share in Northwest's Lone Star Steel Company, which will be spun off as a publicly-owned unit. The Kelly group was formed earlier this year by former top officers of Esmark, after the company was acquired by Beatrice Foods.

In a sudden move, Robert J. Carlson, president of United Technologies, resigned. The departure surprised Wall Street because Mr. Carlson had been expected to succeed United's chairman, Harry J. Gray, who will turn 65 in November. Company officials would not elaborate on the reasons for Mr. Carlson's departure.

Nathaniel C. Nash

The New York Stock Exchange

MOST ACTIVE STOCKS

WEEK ENDED SEPTEMBER 21, 1984

Company	Sales	Last	Net Chng
AT&T	8,104,200	19 1/8	+
IBM	6,423,800	124 1/2	- 2 1/2
G Mot	6,061,400	76 1/4	+ 1
N Semi	5,880,900	13 1/2	- 1
Exxon	5,701,600	43 1/2	- 1 1/2
Es Kod	5,472,700	73 1/2	- 1 1/2
Fin Cp A	4,749,800	7 1/2	+
Dow Ch	4,365,200	28 1/2	- 1 1/2
Ci Data	4,270,400	27 1/2	- 1 1/2
Ci Corp	4,196,300	38 1/2	+
Am Exp	4,136,900	34 1/2	+
S Cal E	3,996,400	21 1/2	+
Gen El	3,988,000	55 1/2	- 3 1/2
NYNEX	3,847,200	71 1/2	+
Bell So	3,824,700	32 1/2	+

MARKET DIARY

Advances	Declines	Total Issues	New Highs	New Lows
1,041	986	2,258	135	35
1,411	584	2,252	120	31

VOLUME

Same Per. 1983	Last Week	Year To Date
529,216,990	16,993,658	153
470,240,210	15,743,740	382

WEEK'S MARKET AVERAGES

High	Low	Last	Net Chng
114.0	111.6	111.6	-2.30
88.8	86.7	86.7	-1.67
48.5	47.4	48.1	+0.61
94.2	93.2	93.2	-0.16
97.1	95.6	95.6	-1.38

Standard & Poor's

400 Indust	191.9	186.9	186.9	-4.23
20 Transp	142.6	138.0	138.1	-4.09
40 Util	71.6	69.9	70.7	+0.73
40 Financial	18.0	17.7	17.7	-0.19
500 Stocks	169.3	165.6	165.6	-3.11

Dow Jones

30 Indust	1245.0	1197.0	1201.7	-37.78
20 Transp	533.8	514.5	516.6	-7.83
15 Util	137.5	131.8	135.3	+2.51
65 Comb	483.6	468.5	471.2	-8.93

The American Stock Exchange

MOST ACTIVE STOCKS

WEEK ENDED SEPT. 21, 1984

Company	Sales	Last	Net Chng
Cryto	2,140,700	5 1/2	- 1
GifCo	1,796,400	14 1/2	+
HonH	1,364,200	10 1/2	- 2 1/2
Wang	1,215,700	27 1/2	+
Sundc	853,300	9 1/2	+
WDigit	825,900	10 1/2	+
DomeP	641,700	2 1/2	+
EchoB	597,700	9 1/2	+
TIE	509,600	11 1/2	- 1 1/2
Amahl	455,100	12 1/2	- 1 1/2

MARKET DIARY

Advances	Declines	Total Issues	New Highs	New Lows
355	466	384	287	907
50	38	25		

VOLUME

Same Per. 1983	Last Week	Year To Date
32,209,540	1,119,303	310
37,705,260	1,808,458	504

The New York Times

Founded in 1851

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If Not Debate, at Least Debates

The 1984 Campaign, Take 2, Scene 1 will begin with a clack of the take-board on Sunday, Oct. 7. That's the date finally agreed to for the first televised Presidential debate, and it will come not a moment too soon for Walter Mondale.

Like any underdog, he itches to get his teeth into the front-runner's trousers. But so far, in the campaign that started on Labor Day, the most he has been able to do is growl that President Reagan will venture out only into "question-free zones" and photogenic pageants. He's right. No one ever explained a policy (or lost votes) by making such ringing declarations as "Happy birthday, Roy Acuff!"

The President, like any favorite, knows how to dodge, but he also knows that televised debates have become a campaign staple. So he has limited them: two, instead of the six Mr. Mondale wanted, and a formal format, with four journalists asking questions, instead of a looser one-on-one setting.

The insistence on formality is regrettable, considering the national experience with televised debates last spring. A change in Federal broadcast rules permitted experimentation that taught some plain lessons. For instance, there's no need to interject a panel of outsiders; one skilled moderator is all the provocation that's required.

Since that's not to be this time, what's the next best thing? Modest moderators, who will resist the temptation to show off with complex or technical questions. The candidates will be briefed to the tonals on every conceivable subject. No question can do more than trigger the appropriate cassette: "Negotiations with the Russians" or "Religion" or "Deficit and Taxes."

There's another reason for questioners not to show off. They'll just get in the way of the candi-

dates' few displays of personality. The sponsoring League of Women Voters rightly intones that what the candidates say about the issues is important. But in televised debates, there's something even more important than the words: the music.

Who won the 1980 Reagan-Carter debate? Mr. Carter, said many reporters who attended. Colleagues forced to watch, like the rest of the country, on TV, were incredulous: "Didn't you see him say, 'There you go again'?"

See him say. It was the same lesson learned in 1960 when people who heard the first debate on radio said Richard Nixon won but people who saw it on TV said John Kennedy. The lesson is hear vs. see, content vs. effect, words vs. music.

Mr. Mondale, frustrated by poor poll showings, hopes that the campaign, Take 2, can accomplish what the first month did not. With debates scheduled at last, he thinks he can finally "smoke out" the President. But other Democrats have found out that Ronald Reagan is not an amiable old dodderer who'll fumble and stumble over facts. He may not excel at the words but he's superior when it comes to the other part. He's the Music Man.

Republicans risk making a similar mistake about Mr. Mondale. They may gloat over his disposition to wooden whining when it comes to a prepared speech. But the primary debates showed another quality, an extemporaneous passion that puts march music to his words, also.

With the haggling over debates finally ended, the candidates can get on with the real thing, especially if the questioners can get out of the way.

Interim Verdict for Mr. Meese

In finding that Edwin Meese committed no crime while serving as a trusted White House aide, the court-appointed independent counsel also emphasized what his investigation was not doing. Jacob Stein properly rejected the entreaties of both friends and foes of Mr. Meese and rendered no judgment on his ethics or fitness to serve as Attorney General.

Mr. Stein, a Washington attorney who usually represents defendants, ably accomplished his narrow mission. His 385-page report does not answer every question that the Meese case raises, but it satisfactorily explains why no indictment is warranted. It leaves plenty of questions for the next Congress, should President Reagan be re-elected and hold to his resolve to seek the confirmation of Mr. Meese as head of the Justice Department. A finding of no criminality is hardly an affirmation of fitness to serve.

For example, Mr. Stein found no improper motive, and therefore no criminal intent, in Mr. Meese's failure to disclose an interest-free \$15,000 loan from Edwin Thomas, who along with his wife then received government jobs. Mr. Meese persuaded Mr. Stein that he didn't think of the loan when he was filling out his disclosure statement but had no reason to cover it up, since his old friend had been lending him money for years. That still leaves

the ethical question of why Mr. Meese kept on doing things the same old way after he moved from the Reagan campaign to a powerful White House post.

And what of the extraordinary help rendered by Thomas Barrack, a wealthy real estate operator? He bought Mr. Meese's California home after it had gone unsold for 20 months and absorbed an \$83,000 loss in the resale. Mr. Barrack later became chairman of the board of governors of the United States Postal Service. Mr. Stein accepts Mr. Meese's statement that he hadn't been aware Mr. Barrack had taken the loss.

However Congress finally appraises these episodes, Mr. Meese has reason to be grateful, not only for Mr. Stein's work, but for the law that made it possible. The Reagan Administration scorns the statute as unconstitutional because in cases that pose a clear conflict of interest, it takes away the Attorney General's power to appoint a prosecutor and gives it to a special Federal court. But if the independent counsel had been chosen by Attorney General William French Smith, an Administration colleague and fellow Reagan campaigner, the quality of the investigation might forever be doubted, to Mr. Meese's continuing discomfort.

The law enabled Mr. Stein to perform a limited but important task, believably and well. For this the public can share Mr. Meese's gratitude.

Sneezes' End

The days are blue and brilliant, the nights so cool that sleepers reach for blankets yet unpacked. Greenmarkets spill white eggplant, yellow tomatoes and purple cauliflower into the shopper's hands, and the sun sets in a lemon sky. Big pots of chrysanthemums go for \$4.99, and thousands of escheries are arranging thousands of wildflower bouquets. And countless New Yorkers lift streaming eyes to heaven, blind to the harvest and the sunsets and the bargain mums, asking, "How long, oh Lord, how long?"

Only a few more days, then clearer heads and drier noses will prevail. This weekend should bring the end of Hay Fever Season '84, one of the worst ever. So will end the headaches, the sneezing, the shrunken eyes with their attendant bags, the runny

noses and sticky eyelids, the rush for the air-conditioned room and the pill that makes you sleepy. Thanks to a wet spring and a wet summer and no sun to burn off the burgeoning plants, the Season of '84 started early and the pollen counts stayed so high they made even the nonallergic uncomfortable. For those for whom hay fever is an annual malady: don't ask.

Most of the high-in-the-air pollen's gone by now. What's left is that loose stuff floating off the dying plants, and it's treacherous. Fields of ragweed are to be avoided. So are rooms in which someone's chosen to make a decorating statement with goldenrod. A few more days — and you will have survived six weeks that were to hayfever sufferers what Everest is to mountain climbers.

Topics

Taxi Tank

"Experimental No. 304" is not the latest home computer or food additive. It's the newest yellow cab in New York, bearing a special promise.

With its wide access doors and steps, tinted, sliding glass windows and ample leg room, this cab bears the prospect of a smooth and pleasant ride. Built like a tank with an extra solid frame and 100-pound steel doors, it also promises safety.

Originally, it wasn't a cab at all, but a Chrysler mini-ram van. Howard Kuhn, a Dodge dealer in Jackson Heights, is rightly concerned that the supply of large cars for cabs is dwindling. So he's having a few of the mini-vans converted into taxis and hopes to distribute them in New York and other East Coast cities.

The design of American taxis is a

Strange Sights

disgrace and all innovations are welcome. We look forward to reports of the van's performance and rating by the Taxi and Limousine Commission.

Another World

There are some strange and wonderful sights at New York's Museum of Modern Art right now: the marvelously masked and costumed people of Irving Penn's photographs. They seem startling because they reflect a culture to which few Americans have been exposed — New Guinea's, or Cameroon's. Yet marvelously masked and costumed people are a common sight on the streets of New York. They, however, often are close to invisible because as New Yorkers they're simply part of the landscape. A friend of ours claims she mightn't

have noticed a street musician on 52d Street last week if her eyes hadn't been opened by her visit to Penn's world.

The musician, whose instrument was drumsticks and a newspaper vending box, wore a kind of Kabuki makeup for the performance.

His most fervent fan wore this year's version of the deelybopper, two blow-outs — tubes of rolled-up paper unrolled by blowing through a mouthpiece — stuck on a band worn across the top of the head. A plastic tube curls from the headband to the wearer's mouth, permitting him to blow up the blow-out.

As the Kabuki-faced drummer drummed, the deelyboppered fan kept time by elevating his headgear. "Amazing," our friend said — just what she'd said an hour before about the photographs of Irving Penn.

Letters

Foreign Policy: When It Pays to 'Cut and Run'

To the Editor:

Barry Rubin's Aug. 29 Op-Ed article on the lessons of Lebanon fails to draw some significant conclusions.

Ronald Reagan is quoted as saying, in 1982, "If Lebanon ends up under the tyranny of forces hostile to the West [Syria and its allies], not only will our strategic position in the eastern Mediterranean be threatened but also the stability of the entire Middle East. Lebanon is central to our credibility on a global scale."

Two years later, with Lebanon firmly under the control of those "hostile forces," a high State Department official told Congress that, in line with American support for a broader government capable of "restoring stability and security" in Lebanon, "we believe that Syria has been one of the helpful players."

Mr. Rubin goes on to discuss the lessons Mr. Reagan should have learned from his unfortunate mistake: but fails to point out the lessons that we, the American people, should have learned about Mr. Reagan.

The President's initial assessment of the significance of Syrian influence in Lebanon was considered nonsense by virtually all intelligent observers of world affairs, including most of Congress and the press. Still, precious little was said and nothing was

done to keep Mr. Reagan from acting out his delusion. Indeed, we should count ourselves lucky to have been extricated from that enormous blunder with only 250 American casualties (and how many Lebanese?).

Perhaps the most valuable lesson the U.S. has learned from Vietnam is that it is possible to cut and run, the President's speeches to the contrary notwithstanding. A pre-Vietnam Reagan would surely have run up thousands of casualties before pulling the plug on an involvement as ill-conceived as the one in Lebanon.

What then will be our response when President Reagan, or President Mondale, makes the same speech about El Salvador? "If El Salvador ends up under the tyranny of forces hostile to the West, not only will our strategic position in Central America be threatened, but also the stability of the entire Caribbean. El Salvador is central to our credibility on a global scale."

In Lebanon, we have learned that the power to end a conflict does not necessarily reside with the most powerful Western forces involved. The Salvadoran Government, Duarte notwithstanding, is just as much an obstacle to peace as was the Gemayel Government so long as it continued to strive for Phalangist hegemony.

What American administration is

going to have the courage to let the Latin American left be a "helpful player"? How many U.S. marines and Salvadorans will have to die before that idea is even considered?

Rubin points out that "despite the apparent American defeat in Lebanon, Syrian policy today takes considerable account of American interests and power" and that "Damascus is welcome to try its hand at solving the knotty Lebanese problem."

Freed from American aggression, there is no doubt that the leftist governments of Central America would "take considerable account of American interests and power," simply to avoid that very aggression. By choosing war — economic and military — against leftist movements throughout Latin America, we eliminate all incentive to respect American power.

American military power is certainly more than adequate to counter any real threats to our security, but by drawing the line where it manifestly doesn't belong, the U.S. is repeatedly forced to retract it. That does diminish our credibility on a global scale.

The answer is not to stick stubbornly to our mistakes but not to make them in the first place.

PHILIP RAPHALS
Montreal, Aug. 30, 1984

South African Blacks' Message to Government Collaborators

To the Editor:

Anthony Lewis must be lauded for roundly condemning South Africa's apartheid Government ("It Is So Simple," column Sept. 10), but he misses the profound significance of the recent racial unrest there.

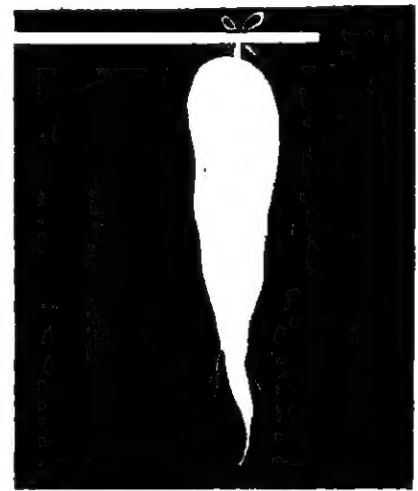
Of course, the riots represent a rejection of new "parliamentary" powers for Indians and mixed-race coloreds (from which blacks have been excluded), opposition to rent increases and a protest against the refusal to meet basic student demands and against the general oppression of Pretoria's official racism.

But it is the victims of the unrest, and not its causes, which give a clue to the primary importance of what could mark a watershed in white South Africa's efforts to sustain an untenable racial hegemony.

After the Soweto uprisings of 1976, the most traumatic in South Africa's troubled history, the Government sought to channel black aspirations away from violence and into areas that do not seriously challenge white political power.

In addition to creating powerless community councils, to give blacks the fiction of self-government, the

Botha regime offered them a variety of new economic opportunities, working on the assumption that owners of Mercedes and model homes are un-



Carley Hall

likely to find shelter behind the barricades of revolution.

This strategy, if only as a delaying tactic, showed some signs of success. One does, in fact, now find middle-class families (by any standard) in Soweto and other black townships.

How Democratic Leaders Are Hurting Mondale

To the Editor:

When Walter Mondale unveiled his plan for reducing the Federal deficit, most commentators treated it as a sound, responsible proposal, and the news media contrasted it favorably with the refusal of the Reagan Administration to say until after the election how it intends to deal with the deficit. A chorus of Republican leaders denounced the Mondale plan, misrepresenting it freely in the process. But where were the voices of Democratic leaders to support Mondale on this vital issue?

Their silence suggests that they are distancing themselves from him in order to disassociate themselves from his anticipated defeat. Their behavior reminds one of John Kennedy's comment after the Bay of Pigs, that success has a thousand parents but failure is an orphan. Democrats have, unfortunately, a long history of treating their own Presidential candidates in this manner. It seems that they can never find a candidate who is good enough for them.

The difference between the way the two major parties treat those who bear their Presidential banner is well illustrated in the striking contrast between the honor Republicans accord to their past losers, Barry Goldwater and Gerald Ford, and the total rejection by Democrats of their most recent loser, Jimmy Carter. Unless Democrats modify their attitudes, they are likely to continue to face Republican Presidents who can count on the loyalty of their party, through weakness and strength, through adversity and triumph.

FREDERICK L. HOLMES
New Haven, Sept. 17, 1984

A Vatican Statement Clear on Life's Start

To the Editor:

Daniel Maguire's letter regarding "Archbishop O'Connor's Error on Abortion" [Sept. 16] offers a theological inadequate explication de texte. The document in question is the Vatican's Declaration on Abortion (1975).

Maguire claims that "on the question of the personhood of prenatal life [Geraldine Ferraro] is more conservative than even the Vatican." In support of his position he proceeds to quote from footnote 19 of the Vatican Declaration, which expressly "leave[s] aside the question of the moment when the spiritual soul is infused." Maguire implies that the Vatican document is at least more ambiguous than Ferraro's position on the beginning of human life.

The Vatican Declaration, however, clearly states in paragraph 12 of the text: "In reality, respect for human life is called for from the time that the process of generation begins. From the time that the ovum is fertilized, a life is begun which is neither that of the father nor of the mother; it is rather the life of a new human being with his or her own growth. It would never be made human if it were not human already." And paragraph 13 notes that this position holds "perfectly independent of the discussions on the moment of animation."

Mutual dialogue can be abused in many ways. One of them remains the tendency to treat the position of another with impertinence.

(Rev.) JOHN RUSSELL
Cresskill, N.J., Sept. 17, 1984

The Times welcomes letters from readers. Letters for publication must include the writer's name, address and telephone number. Because of the large volume of mail received, we regret that we are unable to acknowledge or return unpublished letters.

The Puerto Rican Bishops' 1960 'Blunder'

To the Editor:

How short our memories! Just a half dozen elections ago, the Roman Catholic bishops of Puerto Rico issued a pastoral letter warning their island flock that they would be denied the blessed sacraments if they voted for the Popular Democratic Party led by Luis Muñoz Marín.

The bishops were irritated at Muñoz's unwillingness to sponsor legislation repealing an old law which permitted the distribution of birth-control literature. They went as far as sponsoring the registration of an opposition political party.

This blunder — to be kind to the hierarchs — almost caused the defeat of America's first Roman Catholic President. The church has not gotten over the humiliating electoral defeat it suffered in our island Commonwealth.

Archbishop Macleish commemorated Muñoz's 1960 election victory by composing some verses that he sent to Muñoz:

God, say the Bishops, considers it sin

To vote in the voting for Muñoz Marín

Sing Bishop, Archbishop, Archbishop

But after the vote in the voting was done

God sent the sea as before and the sun

Though Muñoz Marín had triumphantly won

Sing Bishop, Archbishop, Archbishop

The moral is something like this — and I quote:

When the church tells the people how God means to vote

Sing Bishop, Archbishop, Archbishop

It better begin, before damning their souls,

By taking a couple of Galluping polls

In Heaven, High Heaven, High Heaven

Sing Bishop, Archbishop, Archbishop

President Reagan should reflect on Macleish's jingle. Archbishop O'Connor should remember his church's embarrassment in 1960 and Pope John XXIII's subsequent banishment of the offending bishop and archbishop to a backwater parish and a hardship post, respectively.

TEODORO MOSCOSO
San Juan, P.R., Sept. 10, 1984

The writer is former U.S. Ambassador to Venezuela.

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IN THE NATION | Tom Wicker

The Gromyko Mission

Four more years" is not a welcome slogan in Moscow. But the willingness of Andrei Gromyko, the Soviet Foreign Minister, to meet next week with President Reagan clearly signals the Soviets' reluctant conclusion that he will be re-elected in November.

That's taken for granted here, and the conclusion is widely shared. Obviously, if the Soviets believe they'll have to deal with Mr. Reagan for another term, it's better to break the ice with him now than after his expected victory. But officials of both major West German parties believe Mr. Gromyko has more than that on his mind.

One frequently discussed belief is that the Foreign Minister (whose dominance of Soviet foreign policy probably has been enhanced by the leadership crisis in Moscow) has given up any lingering notion that the United States and its West European allies can be separated. He has returned, in this view, to the basic Soviet idea of a bipolar world in which the superpowers have to deal directly with one another.

This is deeply satisfying to the government of Chancellor Helmut Kohl, which went ahead last year, despite profound Soviet opposition, with the deployment of American medium-range missiles that can strike targets in Russia. Mr. Kohl told the Soviets in so many words last year in Moscow that they could not "drive a wedge" between the U.S. and Western Europe.

Now Bonn sees Mr. Gromyko pursuing a "dual strategy" of attacking Washington and West Germany publicly, while privately seeking some sort of renewed "dialogue" with the

Sign of new "dual strategy?"

U.S. That's congenial to the Government here, which has urged more contacts between the superpowers, to put an end to what one West German official called their "state of speechlessness."

Given Mr. Gromyko's improved status, the lack of a dominant Soviet leader and Mr. Reagan's probable reelection, another official suggested to me that the Sept. 28 meeting would be a sort of "undeclared summit." He was not predicting that anything concrete would emerge from it, but that it would be of great importance in determining Soviet policy during a second Reagan term.

The Soviets realize, the West German official said, that it is not in their interest to continue rejecting arms control talks with the U.S., or to permit the full deployment in Europe of a projected 572 U.S. Pershing 2 and cruise missiles. So Mr. Gromyko's prime mission will be to drive for his colleagues in Moscow what approach Mr. Reagan may take after his reelection.

After four years of military buildup and a new mandate from the American people, will he appear ready to take part in a Soviet-American "dialogue" that offers real possibility for agreements in the interests of both superpowers? Or will Mr. Gromyko be given the idea that what

Moscow sees as the U.S. drive for military superiority will continue, and that the Soviets can return to the Geneva talks only on Mr. Reagan's terms?

Officials of both parties here hope for something like the first of these possible signals; none believes military superiority is attainable and all hope for eased tensions. And the second signal, it's argued here, would almost surely produce an equally hard line from Moscow, and a continuing arms race — perhaps even some new crisis in Berlin or elsewhere.

Another possibility mentioned here is that Mr. Gromyko hopes to urge personally a Soviet-American accord against weapons in space. Moscow has repeatedly proposed such a treaty but the Reagan Administration has just as regularly rejected the idea, on grounds that a ban on space weapons could not be adequately verified.

Some here think Moscow is not concerned merely with the anti-satellite weapon the U.S. is about to test against targets in space. They believe the Soviets' greater fear is of the apparent U.S. intention to pursue Mr. Reagan's proposed "Star Wars" missile defense; they don't want to spend the huge sums necessary to build their own, they can't be sure that their technology is up to the task and they see such defenses, in any case, as more nearly destabilizing than reaffirming the nuclear balance.

Some West Germans think Mr. Gromyko may even hope to agree ultimately to re-enter the Geneva talks in return for agreement with the U.S. on space weapons. That may be a remote possibility, but it would apparently be a welcome exchange in Bonn.

WASHINGTON | James Reston

Mon Dieu! Mon Dale!

Q. How does he do it?
A. How does who do what?

Q. How does President Reagan manage to fly so high with no visible means of support?

A. He travels light. It's all done with gas and mirrors. What's bothering you?

Q. Look, our guys get caught in Beirut three times in a row with their gates down, and the secretary of war, Mr. Weinberger, goes on television and says he's sorry about those gates and proud of those brave boys who are our first line of defense against the wicked, evil Communist empire. And the President says we won't be intimidated by these terrorists, and yet a lot of people run around the streets of the United States shouting "Four More Years" for Reagan. I'm confused.

A. No, you're raving. Mon Dieu! Mon Dale! Here are the Democrats at the White House gate. Here is the President defending Christian civilization, the free enterprise system and the gates to outer space and above, and you want him to check license plates in Beirut!

Q. You've got me wrong. I expect gates to be off their hinges under this outfit. I just don't know how they get away with it. Every time they fumble they pick up 10 yards.

A. You're fumbling yourself.

Q. Look. He's the first divorced President we've ever had and he lectures us about the values of the family. He wants prayer in the schools but seldom goes to church or sees his grandchildren. He wants to get the government off our backs but tells

Hollywood, television and baloney

women the government has a right to interfere with the question of abortion. He has piled up more debt in four years than all the other Presidents combined, and people run around saying he's taller than the Washington monument. I don't get it.

A. Let me explain. First, they know the power of advertising. For these Republicans, everything is Miller Time. If you've got the time, they've got the cheer. They make money the old-fashioned way — they let the poor earn it. Understand?

Q. No, but I'm listening.
A. The President is the Marlboro Man. He has moved Madison Avenue to Pennsylvania Avenue and always stands tall in the saddle with the mountains in the background and the pretty girl back at the ranch. Right?

Q. I think I'm beginning to get it, but you think the people swallow this baloney?

A. People love baloney if they have nothing else. Also, they see those cigarette ads of the lovers by the lake, and the little notice in agate type at the bottom that says, "Warning: The Surgeon General has determined that cigarette smoking is dangerous to your health." But if you're young and the lake is golden in the autumn sun, nothing matters until after Elec-

tion Day unless you inhale it.

Q. You said advertising was his first technique. Was there another?

A. When he and I were young together in Illinois back — I can't remember when — there was a popular fad called the Coué System. It was supposed to make you successful if you bounced out of bed at 7 a.m. proclaiming: "Every Day in Every Way I'm Growing Better and Better." I tried it for a while, but the better I tried the worse I got. But believe me the President has not only put this system into the White House but with a wave and a smile convinced the American people to do the same.

Q. You are saying he's a fraud!

A. No, I'm saying he's a genius. He has figured out the American people but they haven't figured him out. He's winning the religious argument and winning the election because television and not religion is the opium of the people. He even has old Andrei Gromyko soaring across from Moscow for a photo opportunity in the Rose Garden.

Q. You reporters don't really like Mr. Reagan, do you?

A. That's not quite true. We like him but we really don't know him. It's a funny thing: he's always on television, but somehow we never see him.

Q. You better be careful. If you go on like this, you'll be questioning the principle of democracy, for he's giving the people precisely what they want.

A. That's precisely what worries me: Hollywood, television and baloney.

Behind the Reagan-Gromyko Meeting

A Possible Shift by Moscow

By Arkady N. Shevchenko

WASHINGTON — Most speculation about the Reagan-Gromyko meeting scheduled for Friday centers on whether it really signals a change in President Reagan's attitude toward dealing with the Soviet Union or was engineered as a campaign ploy. There is of course the other side of the coin: whether Foreign Minister Andrei A. Gromyko's willingness to meet with Mr. Reagan indicates a significant shift in the Kremlin's ultra-hard line toward Washington. I believe it indicates either that or the beginning of a change.

In this period of almost unprecedented superpower hostility, the importance of both sides' readiness to meet should not be underestimated. It is naive to imagine that Moscow — and Mr. Gromyko in particular — could be gulled into a venture benefiting only Mr. Reagan: the Russians serve their own interests. Moreover, Mr. Gromyko is not just Foreign Minister and First Deputy Prime Minister but one of the most influential figures of the small ruling group. In foreign affairs, his voice may well be weightier than any other in the Politburo, including that of Konstantin U. Chernenko.

Mr. Gromyko takes a longer view of the crucial importance of normal Soviet-American relations for the future than many people perceive. Those relations have been his central and special field of interest and activity. He was an architect of détente in the 1970's and is associated with it more intimately than any other present Politburo member. Because he viewed the fruits of détente as beneficial for the Soviet Union, he clashed with Marshal Andrei A. Grechko, the staunchly anti-American Defense Minister, over it, and over SALT I negotiations, to such an extent that they sometimes did not speak for weeks.

It is not that he is pro-American, but unlike some others in the leadership Mr. Gromyko believes that America not only is the Soviet Union's main adversary but also its partner — as long as the interests of both, whether temporary or more long term, are parallel or coincide. I do not think this basic thinking has changed.

In recent years, as superpower relations went from bad to worse, the Kremlin lost more than it anticipated or can afford. What Soviet leaders want first of all is to avoid the risk of nuclear catastrophe. They are concerned about American military programs, particularly the "Star Wars" initiative. Their greatest fear is that they will be left behind in an uncontrollable competition for more and more technologically sophisticated strategic or space-based weaponry. They also have to adjust to the fact that deployment of American Pershing 2 and cruise missiles in Western Europe has become a reality. They understand that today's relations with Washington have backfired in Western Europe, have created strains among the Warsaw Pact countries and have given Peking a trump card to play against Moscow.

Arkady N. Shevchenko was Under Secretary General of the United Nations when he defected in 1978. He once served as political adviser to Andrei A. Gromyko.

Mr. Gromyko doubtless recognizes the significance of all this better than anyone else in the Politburo. Bitter as he might be over the failure of détente, he is probably the Kremlin's most able practitioner of realpolitik. He understands that it is in Moscow's interest to establish normal relations, no matter who is President and whether Moscow likes him or not.

There are indirect signs that the Politburo may be undertaking a review of the policy that resulted in the breakdown of the Geneva talks on medium-range missiles and strategic weapons. But to convince the Soviet leaders to withdraw their demands for dismantling the Pershing and cruise missiles in Western Europe as the condition for resuming "talks" on strategic or medium-range weapons is not easy.

They want something real in return, not just a face-saving formula. If they can obtain a satisfactory agreement on the scope of space-weapons negotiations, especially a moratorium on the testing of them, possibly they can be expected to move toward resuming talks on strategic nuclear and medium-range weapons without preconditions.

Soviet-American relations are too complex to permit expectations of a sudden breakthrough as a result of Mr. Gromyko's meetings with Mr. Reagan and Walter F. Mondale. It will take a long time and hard work to repair the injury done to them. The long-term effects of Mr. Gromyko's talks could be more important than any immediate outcome, for judgments he forms as a result of them may decisively affect any future redefining of Soviet foreign policy.

Kremlin Change? Unlikely.

By Michael Krepon

WASHINGTON — Foreign Minister Andrei A. Gromyko's planned visit with President Reagan on Friday has raised hopes for an upturn in superpower relations. Perhaps the Kremlin now feels it must come to terms with a President seemingly headed for a second term. Perhaps —

but don't bet on it. The transition leadership in the Soviet Union hardly seems ready for an abrupt change in policy toward the United States.

The refrain heard by recent American visitors in Moscow is that existing tensions are extremely dangerous, that they have been produced by American actions alone and that it is up to America to take concrete steps to reverse these developments.

Though grossly overdrawn, this line seems to reflect a firmly held view that the Administration wants to achieve military superiority while undermining the Soviet leadership's legitimacy at home and position in Eastern Europe. The line is perfectly in tune with a leadership in transition that has concluded that there are greater risks in trying to improve the political relationship dramatically

than in treading water. For anyone who wants to succeed Konstantin U. Chernenko as General Secretary of the Communist Party, it is safer to react to the Administration than to initiate actions to break the deadlock.

Why? Because Ronald Reagan is a far more reliable adversary than ally. Indeed, initiatives to improve the relationship carry pitfalls. Those jockeying for power must not allow their judgment on security issues to be questioned. Suggestions to compromise with the Administration thus involve a great deal of risk, especially if President Reagan and those around him spurn compromise. Given his record, who in the Kremlin would be willing to override skeptics' qualms by sticking their necks out for a policy of accommodation? A safer course is to set conditions in negotiations that protect one's flank at every step.

Seen in this light, headline and inflexible Soviet negotiating positions begin to be comprehensible even though the result has been to back the Kremlin into a corner from which it has great difficulty extricating itself. In other words, during the leadership transition it's better to shoot oneself in the foot than to be played for a fool by the Reagan Administration.

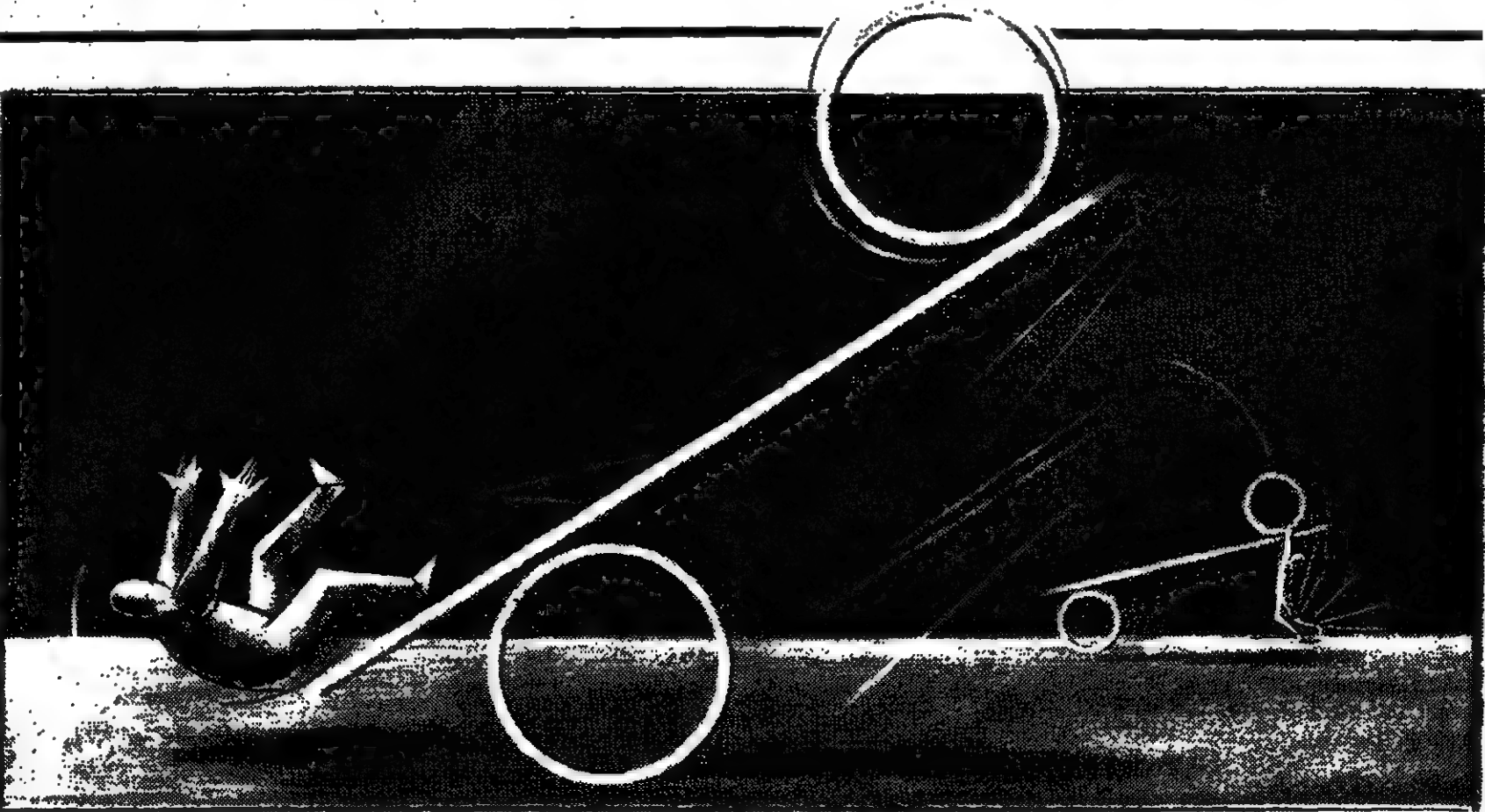
To keep the onus for failure on America, the Kremlin demonstrates its high-minded commitment to peace and arms control with calls for renunciation of force and the demilitarization of space — initiatives that have a hollow ring in light of Soviet actions in Afghanistan and in shutting down negotiations over terrestrial nuclear forces. Nevertheless, rhetorical initiatives are something the transition leadership can easily agree upon — initiatives that usually place the Administration on the defensive.

When Mr. Reagan shows the political savvy to call the Kremlin's bluff — as with his qualified acceptance of talks on antisatellite weapons — the transition leadership is stumped, caught between its desire to head off competition in space and its fear of being used to advance Mr. Reagan's reelection prospects. Yet, hardliners can largely rely on the Administration to bail them out of such awkward circumstances. Mr. Reagan and many of those around him usually say or do things that justify intransigence.

Washington, like Moscow, has its own leadership vacuum. If Mr. Reagan were a strong chief executive, he would have embraced the deal his negotiator for medium-range nuclear forces, Paul H. Nitze, crafted from an unauthorized "walk in the woods" with his Soviet counterpart: America would deploy 300 ground-launched cruise missiles in Europe, while the Kremlin would cut deployments to 235 SS-20 warheads in the western Soviet Union. Mr. Reagan asked the deal, convinced that the West must also deploy Pershing 2 missiles. We probably will never know if the formula could have succeeded since Mr. Reagan never forced the issue in the Kremlin. Meanwhile, Washington has deployed fewer than 100 Pershings and ground-launched cruise missiles while Moscow has deployed more than 700 SS-20 warheads opposite them, with no diplomatic settlement in sight.

The Administration, like the Politburo, finds it easier to propose rhetorical initiatives than to accept negotiated solutions. Factions in both capitals exercise veto power over problem-solving initiatives. Whether from lack of knowledge, inclination or power, today's chief executives in both countries are in no position to override vetoes by their subordinates.

Michael Krepon, senior associate at the Carnegie Endowment for International Peace, is author of the forthcoming "Strategic Stalemate, Nuclear Weapons and Arms Control in American Politics."



$$D_n = D_0 (1+r)^n$$
 A Formula for Trouble.

By Daniel Patrick Moynihan

WASHINGTON — Forty years ago, on the West Side piers of New York City, if you were broke on a Monday morning there was no problem. You could borrow \$20, with \$30 to be paid back on payday, which was Friday. If you didn't have \$30 on Friday, that was no problem. You could pay \$40 on Wednesday. The extra \$10, then \$20, then \$40, was called vigorish. (A detective friend reports that today it's called The Vig.) It kept mounting. Sooner or later, your family bailed you out in a big scene, or you ended up in St. Clare's Hospital.

This is what the Federal deficit is about. Not spending: interest.

In thinking about this wholly new situation — there has been no equivalent in American history — it helps to separate the deficit into two parts. First, the primary, or program, deficit: the amount spent on Federal programs, less Federal revenues. Second, the interest deficit: the amount paid in interest on the outstanding debt.

Contrary to what we hear, and for Daniel Patrick Moynihan, Democrat of New York, is a member of the Senate Finance and Budget Committees:

the most part seem to think, until recently primary deficits have been relatively rare. There were two in the 1950's, two in the 1960's. They were relatively small (1962's was \$300 million). There were six in the 1970's, but still not large ones, except for the \$40 billion primary deficit in the post-recession year 1978.

This pattern continued until the whopping \$105 billion primary deficit in the depression year 1982. But of late, the primary deficit has slackened off. The primary deficit this fiscal year is some \$61 billion (of a total deficit of \$172 billion). The Congressional Budget Office projects that the primary deficit will average about \$46 billion for the remainder of the decade.

But the interest deficit has begun to go out of control. In 1980, the Treasury spent \$52 billion in interest payments. This year, the bill will reach \$111 billion. By 1989, \$214 billion.

Program deficits are simple arithmetic. The amount spent on farm programs does not affect the amount spent on the defense program. But the interest deficit is algebraic. Change one part, and you change the whole.

What Lord Keynes called the "magic of compounded interest" works with debt as well as with savings. It starts slowly, then explodes.

The deficits and the debt are exploding, then, but largely from the rapidly growing interest deficit, not from growth in the primary deficit.

The basic compound interest equation — bear with me — demonstrates what's happening: $D_n = D_0 (1+r)^n$.

If the debt today (D_0) is \$1 trillion,

It's the equation for calculating interest on the debt

and the interest rate paid on this debt is 10 percent (r), in five years (n) — with no new primary deficits — the debt (D_n) will be more than \$1.6 trillion. Today, the debt is more than \$1 trillion, and the interest rate is more than 10 percent. (We talk about interest rates as percentages; economists

express them as decimals: 20 percent equals 0.2. Without the 1 in the equation, interest costs would contract, not compound.)

In real life, the national debt will also be fueled by primary deficits running at about \$46 billion a year. But the interest deficit is the unstable element, rising to \$214 billion a year by 1989, and on from there. This means we will be borrowing money to pay interest. This always happens when the growth in interest payments is greater than the growth in the primary deficit.

Technically, this has happened before, but infrequently and at such low levels as to be of no real significance. It is wholly different now. We will be borrowing hundreds of billions of dollars to pay The Vig. The result is an exploding deficit: the interest deficit, not the program deficit, going out of control.

We have been thinking arithmetic. We have to begin thinking algebra. In 1982 and again this year, Congress cut domestic spending and raised taxes. Still the deficit climbed. The problem is the algebra of compound interest that has superseded the arithmetic of spending cuts and tax increases.

This is new. We have never experienced anything like it. If we go on using the old terms, it is likely we will shortly face a crisis unlike any we have ever known.

Jeremy Irons Looks for Passion

By MAUREEN DOWD

Dispassionately, over a cup of good English tea, Jeremy Irons is talking about passion.

"It is the quality I like most in women and in men," he says. "By passion, I don't mean only sexual passion. I mean enormous caring toward something. I love that energy. It seems such a good way to get through life, to be deeply involved with things, whether it be a play or a dog or a woman."

Mr. Irons has become something of an expert on the wuthering heights of romance.

His latest exploration into the heart's landscape is "Swann in Love," a new film directed by Volker Schlöndorff and based on Marcel Proust's "Remembrance of Things Past." Mr. Irons plays Charles Swann, a wealthy man of exquisite taste and one of the few Jews to be accepted into the high society of Paris in the 1880's. The film tells the story of Swann's tormented love for a sensuous courtesan, Odette de Crécy — "a woman," Swann says, "I didn't like and who wasn't my type."

But he is stuck. "My love is a sickness that is so entrenched that to tear it out would destroy me," Swann muses. "As surgeons say, it's inoperable."

Asked if he liked playing a character that makes Henthcliff seem downright ambivalent, Mr. Irons smiled: "I find him rather endearing," he said. "His big mistake is he wants to possess a woman. He's a collector of many things — paintings, furniture, sculpture — and he tries to possess this phantasm, which Odette is, the sort of woman who will not be tied down."

"And a lot of women can't be. You have to let them be free."

He recalled the part of the story when Swann offers to pay for Odette's

trip down the Nile, even though he knows she is secretly going with another man.

"He feels that if he pays for the trip, then she's his. That's an extraordinary double think. The same as if you buy a picture and you lend it to the National Gallery and say 'It's my picture.'"

"I don't believe in that," he adds softly.

He is restrained about "Swann in Love," which is doing well in England and is widely praised here as handsomely filmed, but otherwise received mostly negative reviews when it opened here at the Paris theater.

"I don't think it'll go big in Ohio," he said, wryly. "It's very difficult to be objective about a picture you've been involved with. I've seen it three times now, and I like it more each time I see it. I think it's all right as a piece of work."

Although he says he feels much closer to the witty, brilliant and acerbic Henry Boot, whom he played in Tom Stoppard's "Real Thing," than to the dilettantish and rather rapid Swann, he found "bits and pieces" of Swann in himself.

"This business of possession. I used to sort of want my woman to be the woman who was there in my house looking after my things," he says, stressing the possessive in a mocking way. "That's a fairly immature attitude. I was taught by a woman that this was not acceptable."

The handsome actor, whose brooding, well-bred English looks are often compared to the young Laurence Olivier, has specialized in love-struck leading men.

In the "French Lieutenant's Woman," he played a proper Victorian who languished for years for the mysterious Meryl Streep.

In "Brideshead Revisited," he played the emotionally repressed Charles Ryder, who was languidly devoted to his friend, Sebastian.

In the movie of Harold Pinter's



Jeremy Irons plays Charles Swann and Ornella Muti is the object of his adoration in "Swann in Love."

triangle drama, "Betrayal," he played the callow, hapless lover of his best friend's wife.

And in "The Real Thing," the play that turned him into a matinee-and-evening idol, he was a playwright whose first wife called him "the last romantic" and whose second had an affair that provokes a torrent of raw vulnerability and jealousy.

He took the Swann role, he said, to work with the director, Volker Schlöndorff, to widen his base in Europe and to learn French.

His voice is used everywhere except France, where the film has been dubbed by a native.

"It would have been too much for the French to have an Englishman di-

rected by a German, photographed by a Swede, playing opposite an Italian in a sacred French subject with the protagonist having an English accent."

He also was drawn to the role because he thought Proust would help him hone the "internal" acting style he had worked on in "Brideshead" and "Betrayal." "I'm very interested in what one conveys without words because I think it's one of the ways we communicate best in films or plays," he said.

He had never read the great master of modernism and fiction, and at first it was, predictably, tough going. "All I could really see from it was that the man didn't know when to put a full stop. He rambled on in a self-indulgent way," he recalled. "Then I got into it and discovered great areas that I knew about in the way that memory is flashed off through little things, the way colors and smells set us off, and I thought, 'Ah, now he's addressing me.'"

He said he feels that Proust, in his theme of collecting things and memories, is as timeless as Shakespeare.

"D.H. Lawrence, by contrast, was dealing with the sexual perception of his time, which was very bleak and very tied down. And 'Lady Chatterley' only really works if the audience sees sex as his readers at that point saw it. There's no way you can do that now."

In period work, he said, it is impor-

tant to focus on the notion that "really what one's addressing is the audience's emotions and intellect and their imagination."

"I remember when we made 'French Lieutenant's Woman,' Karel Reisz said it must not be a costume picture. One's seen so many Hollywood pictures from the 30's and 40's where it was all flounces and robes and no real connection."

Costumes are irrelevant to "Swann in Love," he says, calling it a "wonderful study of jealousy and the incomprehensible love one has for people sometimes."

Mr. Irons said that it was intriguing to play a story of an affair between a man and a woman that was based on Proust's real-life affair between himself and another man.

"It makes you understand a little bit better that business of wanting to possess," he said. "I sort of suspect, looking at my homosexual friends, it's tougher for them to believe in a commitment to one another, because there isn't the same sort of emotional bond as men give to women."

While he was making the film, he rented a house in Paris with Mr. Schlöndorff, and the two talked constantly and at all hours of the night about the emotions and memories that Proust explores.

"There's actually more of Swann in Schlöndorff than in me, his feelings of uncertainty toward the women he loved, a lot of the jealousy is his," said Mr. Irons.

Sipping his tea, staring off reflectively as he often does, Mr. Irons added: "As you get older you get more jealous, actually, I think as you realize how fragile relationships are. When you're in your teens or 20's, it's all a piece of cake and then you fall eight or nine times. And by the mid-30's you tend to be more subject to things like jealousy because you know that they are such delicate flowers, relationships."

When told that a remark about acting on jealousy "violently" sounds Othello-esque, he looks up in surprise. Later, he concedes he is thinking of a project to explore the Moor's doomed brand of green-eyed fever.

"I want to do an Iago and Othello and find another actor to alternate with me," he said. "It would be very stretching."

The making of "Swann in Love" reflects the monumental nature of the 3,000-page work. It took 21 years, a procession of directors and script-

writers, and the grim determination of its producer, Nicole Stéphane.

Mr. Irons talked about the well-chronicled tensions on the set, with everyone feeling an enormous burden of responsibility toward the Proust reputation.

"Schlöndorff thrives on tension," he said. "I don't."

He said the director, whom he said he admires and would like to work with again, was under great financial pressure. There were also ego clashes among the star-filled cast, which includes Alain Delon, Ornella Muti, the Italian actress, and the French actresses Fanny Ardant and Marie-Christine Barrault.

"I found myself constantly soothing people, saying it's all right, it's great," he said.

"They put in Delon, which threw the balance and created a lot of tension," he said. "Delon is a great actor but a very difficult man to work with."

Mr. Irons got on better with Miss Muti, who plays the beautiful Odette.

"I think it's the best work she's been called on to do," said Mr. Irons, warmly. "I'd be talking through a scene with her seeing her eyes become startled when she realized she was being treated as an intelligent actress. I thought 'Oh this doesn't happen very often.' She blossomed."

Now he is contemplating what to do next. The offers are not wanting for the actor who has been labeled "a thinking woman's Tom Selleck" and who won Glamour Magazine's award for being "the thinking woman's sex symbol."

"I think it's a huge compliment," he said. "If one's going to be blown up so large on the screen or on stage for so long, it's very helpful if there's an element of attractiveness about one."

There were rumors that he might return to "The Real Thing," but he shrugged them off. There have also been rumors about an Allan Carr film project with Diana Ross.

He will only say he has done enough languishing for the time being, and is looking for a role with the bite of Henry Boot.

"I'd like to do an American movie playing an American," he said. "I'm not very interested in playing a policeman or a spaceman. As far as film characters, if there was any one word I wanted my characters to have, that I would look for, it is passion."

Naturally.

Never Mind About Salieri, Süssmayr Really Did It

By DONAL RENAHAN

At this point you might justifiably say, paraphrasing Edmund Wilson's dismissal of Agatha Christie and the whole murder-mystery genre, "Who cares who killed Wolfgang Amadeus Mozart?" Well, Peter Shaffer, for one. His play "Amadeus" has been a smash hit on the London stage and in the American film with a screenplay by Shaffer, shows that he continues to care deeply. Over the years, invoking a dramatist's license, he has taken ever more fanciful liberties with musical history to indict poor Antonio Salieri, the rival composer who in his last years supposedly confessed to poisoning Mozart. (He just possibly may have done so, though no hard evidence exists to support the idea.)

By brilliantly intertwining fact and fantasy, Shaffer has given the Salieri legend a second-stage boost that is likely to keep it in orbit for this generation, just as Pushkin's poem and Rimsky-Korsakov's opera on the same subject did in the 19th century. Perhaps it is up to the psychiatrists to tell us why we are so eager to believe that Salieri, the common man personified, is a black villain. But it appears that for our time, history be damned, Salieri did it.

In its early versions, Shaffer's play depicted Salieri almost sympathetically, as the "patron saint of mediocrities," a guilty soul but one easy to feel rapport with, a man who spent more time resentfully appreciating Mozart's greatness than in conspiring to destroy him. The film, instead, has become an obsessed prosecutor's black-humored fantasy, with a new ending in which the evil rival takes down from the dying Mozart's own lips the notes of the Requiem, planning to pass the work off as his own. None of this happens to be even remotely true. In fact, the real scandal of "Amadeus," thrown into sharp relief by the film's totally invented ending, is that Shaffer has surreptitiously done away with Franz Xaver Süssmayr and thrown his body in an unmarked grave. That might appear strange, since Süssmayr played at least as important a part in Mozart's final days as Salieri. There is, in fact, a kind of "Rosenkrantz and Guildenstern" drama to be written in which Süssmayr and Mozart's widow Constanze play the major roles.

Süssmayr's name does not appear in Shaffer's play script, as published by Signet. Nor does it appear either in the play's preface or in an introductory essay on the film, both written by Shaffer. There is something disingenuous about this oversight, especially since he takes pains to apologize because "the pressure of dramatic time has forced me to omit totally the theme of Aloysia, Constanza's sister, to whom Mozart was initially engaged." The omission of Süssmayr, far more serious, is understandable given the dramatist's need to indict Salieri. A secondary villain might merely confuse the drama.

But, rather than Salieri, it was Süssmayr, Mozart's last pupil and assistant, who actually completed the Requiem at the request of Constanze. While the extent of his own contribution to the score is still argued by scholars, there is no doubting his part in the project. Süssmayr did not take down the music in dictation at the death bed — so far as we know, nobody did — but he seems to have been

there, rehearsing pieces of the work with Mozart and others. That, at any rate, is how Constanze's sister, Sophie, writing 33 years later, remembered it. And that is how it was reported in the biography written by Constanze's second husband, Georg Nikolaus Nissen, and published by her after his death. Apparently the only others at the bedside, besides Sophie, Constanze and Süssmayr, were a few friends — Franz Schack, Gerl and Hofer) and one Dr. Closset, who arrived late, and prescribed cold compresses that probably hastened death.

But Süssmayr was more than a hanger-on in the Mozart circle. He

Süssmayr, far more than Salieri, was the mystery man of Mozart biography.

was the last pupil and only amanuensis of the composer and virtually a member of the family. There is evidence to suggest that he also was, perhaps up to the time of Mozart's death, one of Constanze's lovers. At least one scholar, Dieter Schickling, has proposed Süssmayr as the father of Constanze's second son, Franz Xaver Wolfgang Mozart, although it is hard to believe that she would have had the daring and the imagination to give her child the names of both her lover and her husband. The facts, however, are probably lost forever, simply because Mozart's widow outlived him for so long and took such firm command over the purification of his legend. Although many revelatory letters from Mozart to Constanze exist, it is astonishing to learn that not one of any sort from her to him survives. The widows of famous men are history's worst enemies.

Mozart often mentions Süssmayr in his letters to Constanze, generally with disdain and undisguised irritation. The exact nature of the relationship among the three is unclear, but it is certain that Constanze often went to the baths at Baden for a week at a time accompanied by Süssmayr, whose duties obviously extended beyond those of an ordinary composer's assistant. In several famous letters, Mozart cautions Constanze against being indiscreet while on these trips, since they both agreed that she was inclined to "comply too easily" — with whom is not specified. But Mozart, by the final year of his life, seems to have lost interest in his wife's affairs and/or flirtations and to have become wrapped up in his own circle of questionable friends. Certainly if he had a final affair with the wife of Franz Hofdemel, as an allusion in one of Beethoven's conversation books indicates, Mozart may have been glad to have Constanze go off to Baden with Süssmayr or anyone else. Husbands have been known to feel this way temporarily, even when marital affection is not dead.

At any rate, Süssmayr, far more than Antonio Salieri, is the real mystery man of Mozart biography. We

know that Mozart held him in low regard musically and yet kept him on as an assistant. Why? We know that Constanze did not immediately turn to Süssmayr after Mozart's death as the logical one to finish the Requiem. Why? Her first choice, Joseph Eybler, made a start at it and gave up, pleading the pressure of other work. If Süssmayr was Mozart's friend and had helped at the deathbed, with rehearsing the score, why wasn't he called on to finish it? As Constanze recalled much later, "I offered it to Eybler to complete because I was angry (why, I do not know) with Süssmayr." In his highly speculative and provocative biography of Mozart, Wolfgang Hildesheimer dismisses this statement incredulously: "Constanze, then, who remembers so much, most of it unimportant, claims not to remember why, in this critical period of her life, she was angry with Süssmayr. We cannot believe it."

Still, Hildesheimer admits that we cannot know the answers to such questions either: "It is possible (let us be cautious) that she was having a love affair with Süssmayr. It is also possible that she wanted to marry him after Mozart's death, and that the younger man rejected her." As to the theory that Franz Xaver Wolfgang Mozart was Franz Xaver Süssmayr's child, Hildesheimer feels it may or may not be significant that the boy was born at least two weeks too early by the normal nine-month standard. However, "Mozart's crude, toward the end positively taunting, heartiness vis-a-vis Süssmayr leaves open many possibilities for a relationship of submission, perhaps, or indifference, of understanding or even complicity." It is conceivable, says Hildesheimer, that Constanze had no love affair with Süssmayr but was "angry" with him because he informed Mozart about her overly free ways with others. Throughout the letters that Mozart wrote to Constanze in his last years are found many enigmatic references to "N.N.," which can stand in Latin for Nomen Nescio (name unknown) and has other implications of secrecy and anonymity. This tag is often attached to Süssmayr, but also, it seems, to other men with whom Constanze may have become familiar with while taking the baths at Baden.

The Süssmayr mystery, even in respect to his part in completing the Requiem, has deepened rather than disappeared in recent years as scholars have tried to sort out his work from that of his master. Richard Maunder's new edition of the Requiem, issued by London Records (L'Oiseau-Lyre Digital 411 712-1), omits the Sanctus, Osanna and Benedictus, on the grounds that they are pure Süssmayr, as well Süssmayr's completion of the Lacrimosa. The Agnus Dei, for which Mozart apparently left detailed instructions, is retained. The suspicion is hard to avoid that Süssmayr and Constanze conspired after her husband's death to pass off the Requiem as mostly Mozart, an effort that would have been aided by a remarkable similarity between the musical notation and handwriting of master and assistant. What really happened between this odd couple will probably never know for certain.

Musically, "Amadeus" is far more satisfactory as a film than it ever was as a play, leaving aside all issues of historical truth (it is in very short supply), comparative performances and staging.

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PRIME MINISTER Steingrímur Hermannsson of Iceland was easily the biggest media draw at the Liberal International Congress last week. In particular, the 57-year-old electrical engineer-turned-politician was repeatedly asked about his fight to abolish income tax in Iceland and his successful struggle to reduce the inflation rate in 18 months from 130 per cent (in May 1983) to its current 15 per cent.

In Iceland, the premier is also finance minister of his 240,000 fellow Icelanders. And when Hermannsson assumed office, the government adopted a stringent economic programme. It cancelled the indexation of salaries and froze wages and prices for eight months. In addition, the krone was devalued by 15 per cent.

At the end of the first phase of the recovery programme, the government lifted the wages-and-prices freeze, and at the same time established a framework for economic policy-making. Among other measures, it set a ceiling of 5 per cent on future devaluations.

Hermannsson's prime aim is not to allow his country's reliance on foreign loans to exceed 60 per cent of its GNP (at present, it stands at 63 per cent).

Hermannsson hit the headlines when he persuaded parliament to abolish income tax: "We felt that income tax was not collected in a fair and just manner," he says. "In fact, the only ones who paid it were the wage-earners, so we did away with it."

But when I ask him whether he is prepared to advise the Israeli government how to follow suit, the Icelandic leader laughs. He is always willing, he says, to oblige his friends with good advice.

He notes that he has aimed all along for a balanced budget; indeed, that was his main cabinet issue before visiting Israel. He has succeeded, nonetheless, in balancing the budget, although it involved harsh measures, such as shelving major public works, like building hospitals, schools and roads.

Communications, he says, constitutes a major element in a country like Iceland, which has a far-flung population. For all the cuts, though, welfare services are untouched and remain at their previous high level. Unemployment in Iceland — one per cent — is low by any standards, and the average per capita income stands at \$10,000.

The prime challenge facing the Icelandic government, however, is how best to reduce dependence on fishing, which amounts to 70 per cent of its income. The government is now planning to reduce this figure to 50 per cent in the coming decade.

For this reason, Israel's advances in the field of high technology is of particular interest to the premier, and he hopes to return to Israel — or at least send an official delegation — to study the applicability of Israel's high-tech development to his country's needs.

Luckily, his country is totally dissimilar to Israel in one major aspect — it has no army. And unlike Israel, it has no burdensome defence budget. Its armed forces consist of a coast guard, and its national security is taken care of by its membership of NATO and the sizeable U.S. base on its soil.

Hermannsson, in fact, grew up in

THE LIBERAL APPROACH

By MARK SEGAL / Post Political Correspondent



Steingrímur Hermannsson (Lundau)

the prime minister's residence: his father was premier for 11 years. But he laughingly denies any desire to establish a dynasty. His young son, he is pleased to report, is disinterested in politics.

The Icelandic leader was unwittingly plunged into the Arab-Israeli conflict after he agreed to join a Liberal International delegation, arranged by the British Liberal Party, to visit Amman. The exclusion of Israelis raised tensions here, and the premier declares: "If I had known of that, it is doubtful whether I would have gone."

Nonetheless, the visit to Jordan was a rewarding experience because of the high level of the Arab participants in the seminar, which was presided over by Crown Prince Hassan, and which included senior officials from Egypt and Lebanon, a deputy foreign minister of Iraq as well as a Palestinian professor.

They had spoken of peace and not war, and Hermannsson says he emerged encouraged. He was also encouraged by the impressive briefing the group received from Israel Foreign Ministry director-general David Kimche after they crossed the Allenby Bridge.

He found their talk with Bethlehem Mayor Elias Freij quite illuminating — Freij advocated a policy of full autonomy — and Hermannsson, like the other Liberal leaders, endorses Freij's demand that Israel halt the expansion of settlements on the West Bank in order to facilitate an accommodation with the Arabs.

BRITISH LIBERAL leader David Steel denies that the frequent sorties into Middle East politics by so many British politicians is in any way a hangover of the imperial heritage. On the contrary, he says, his party has been much more engaged in Southern Africa issues in recent years, and if it has dealt with the Middle East, then this was aimed at heading off the lunatic fringe.

Steel, who tops the polls in Britain as the most popular political leader, is upset that he may be seen as having shifted away from the British Liberals' traditional friendship for Israel.

He is particularly pleased at the opportunity to dwell on these historical ties during a tree-planting ceremony in honour of three leading members of the Liberal Friends of Israel at the Modi'in Forest. Hostility to Israel, he says, comes from a minority element in the Liberal Party. But that does not mean that criticism of official Israeli policies is illegitimate: "If I'm critical of West German Foreign Minister Schmidt, I'm not making me anti-German."

The Liberal leader hopes that Prime Minister Shimon Peres will succeed, particularly in his quest for peace — "but that hinges on whether the Sharon's of his government will let him, doesn't it?" He also trusts the new government will take early steps to "ameliorate the lot of the territories' inhabitants, and so defuse mounting resentment among them."

He has concluded that "the Middle East is littered with pieces of

paper," and that those wishing to voice opinions are best advised to visit the region themselves. When he headed his party's study mission here in 1980 and stood on the Golan Heights, he had understood Israeli anxieties about the threat Syria posed to the Golan.

"It's quite a different dimension when you see things with your own eyes," says Steel. "I learned the limitations of geography when standing on the border with Jordan."

I remarked on his party's favourable report on the PLO and the need to involve it as the representative of the majority of Palestinians in negotiations, and I wonder whether the big play of his meeting with Arafat in Beirut in 1980 had not weakened the position of the more moderate Arabs, like Mayor Freij. Steel says no. But he does confess that he, personally, found it difficult to talk to the PLO people because of the gap between their writings and what they tell visitors. To Steel's mind, calling Arafat a moderate "is ridiculous."

The time, though, is now ripe for a change, he says. One reason for this optimism is that the ageing Arafat is ailing — "and he would like to have something to show before his life ends."

During the visit to Amman, Steel detected notes of optimism, particularly as the moderate regimes acknowledged the need for haste in reaching peace with Israel. There are, he says, growing fears in the moderate states about the rising influence of fundamentalism among Arab youth, which is seen as a serious threat to these regimes unless a peace settlement is reached.

"Now is the best time to press on both sides," says Steel. "The mood is right in Jordan as well as in the new Israeli government. But Jordan is not in Egypt's position to freely engage in bilateral negotiations with Israel. What you need is a Carter or a Kissinger — perhaps if Reagan is re-elected he will set things in motion again."

He recalls that one of the participants at the Amman seminar said:

"There was a time just after the 1967 war when the Arab leadership was ready to recognize Israel, but the people were still mourning the defeat. However, this was reversed in 1974 when the people accepted the idea of accommodation with Israel, but the leadership was too bogged down in the mood of defeat to respond."

The British Liberal dreams of the day when the Europeans will begin to speak with one voice — a voice to which the Americans would listen: "Today we are too obsessed by our internal problems. We need a political secretariat. All the U.S. hears is a series of little countries..."

"The British and the French have an historic share in what has shaped the Middle East. They should also be able to provide the kind of international guarantees that Israel will need to ensure its security in an overall peace settlement," says Steel.

DUTCH LIBERAL PARTY President Jan Kamminga, although only 37 years of age, has become the leader of the main partner in the present Liberal-Christian Democratic government of the Netherlands. Generally speaking, the Dutch like their party leaders to be young, and the same applies to the other parties.

Kamminga speaks of a trend away from the left and a return to the centre. This has been the case in the senior high school classes where the youngsters now show a greater interest in Liberalism than in Socialism. Generally speaking, the left parties were standing still while the Liberals had increased their appeal.

The political system of the Netherlands is familiar to the Israeli, and tends to be as fractured. Under the proportional electoral system, the Liberals control 21 per cent of parliament, the Christian Democrats some 26 per cent and the Socialists about 29 per cent. Kamminga opposes changing the system or even raising the one per cent vote threshold into parliament.

The Dutch Liberal leader says that there has been a marked shift away from the over-libertarian concepts of the Sixties: "We found that our children were being indoctrinated by leftist teachers who had ideologically stayed in the Sixties. But the youngsters themselves now resist in increasing measure this kind of education."

Kamminga told barrowing stories of the plethora of heroin pushers in Dutch schools and how Amsterdam has become the main centre for the world drug traffic. Along with it have come all the accompanying evils, such as underworld corruption of police and the spread of organized crime. The matter has got totally out of hand and the only way out, to his mind, is to legalize all forms of drugs (soft drugs have been legal for years).

"We have to treat the drug issue like alcohol. The present situation is like the Prohibition period in the U.S.A., and if we lift restrictions,

make *tzimmes*. This *ozeret*, like the Israeli taxi driver, is frequently quoted on what "the people" think: "My *ozeret* says she'd have voted Alignment if they'd had Navon to top the list, which just shows you."

In addition to all her other merits, the Israeli *ozeret* is an indicator of our immigration patterns too. The first maids, who were primarily washer-women in a pre-machine age, came from the Yemenite immigrations of the 1910s and 1920s. With Hitler's rise to power came — along with lawyers, economists, and other Herr Doktors who, unable to practise their professions here, were reduced to manual labour — their wives who became the German *ozeret* of the Thirties. These were followed after independence by Moroccan and Iraqi, and later by Hungarian and Rumanian domestics. Nowadays, of course, immigration is a mere trickle and it's hard to get a Jewish *ozeret* at all. They're mostly Arab women — and they are quoted on what "the Arabs" think.

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THERE'S A JOKE about two maids, one of whom has been helping out with a grand party at her employer's. She describes it all — the way the house looked, the music, the guests. "And what did they eat?" asks her friend, and receives an account of all the delicious food that was served. "And what did they wear?" Follows a report of gorgeous dresses, shoes, jewelry. "And what did they talk about?" "Us."

She is a great topic of conversation, the *ozeret*: her honesty or lack of it, the quality of her work, the frequency of her absences, her moods, her caprices, and "What do you pay yours?"

Having been in on such discussions, I've often been struck by the number of women who are daunted by their *ozeret*, and not just for fear of losing them to the competition. They go all out to stay in the *ozeret*'s good graces, flatter her, pander to her whims, bribe her with food and presents.

The 'ozeret'

RANDOMALIA/Miriam Arad

Occasionally, to be sure, the *ozeret* does lord it over her "madam," like being very picky and choosy about her eleven and her chores. "Windows," she may state categorically, "windows I don't do." Or, "Beat carpets? You mean you don't have a vacuum?"

An *ozeret* like that actually tyrannizes the entire household, because the day before she's due, the lady of the house moves around with a strained look in her eyes, inspecting every room for dirt or litter, enjoining all members of the family not to make a mess, to put their toys, shirts, papers away, not to start fixing that

shelf, painting that chair, arranging that stamp collection now, because "tomorrow the *ozeret* comes." You wonder what the lady needs an *ozeret* for in the first place, she does most of the job herself.

Quite a few women, though, have a very happy relationship with their *ozeret*. The two of them know all about each other's husbands, children, green-grocers and back-aches; they bewail The Situation together, compare prices, exchange recipes — though in fact it's more often the *ozeret* teaching her madam how to prepare some oriental delicacy, rather than being taught how to

Jerusalem pioneer

ONE OF THE most distinguishing characteristics of David Amid, the much-respected owner of Jerusalem's Kings' Hotel, was his winning smile.

Easy-going, and a family man Amid became a successful hotelier because he loved people and activity. Unlike most Iranian-born Jews he hated the idea of exchanging one diaspora for another. Born in Gushan, he came to Jerusalem long before Khomeini's rise to power. In 1951 the hotel was built facing the Old City because Amid had the

feeling that the city would eventually be reunited. He also believed in popular tourism and mass pilgrimages and in this respect was never disappointed.

A pioneering Jerusalemite, he contributed to making the capital a more beautiful and hospitable place.

Amid contributed generously to the Hebrew University and Jerusalem Foundation and was made a distinguished Citizen of Jerusalem in 1982.

He leaves a widow, five sons, a daughter and their children. (A.Z.)



David Steel (Lundau)

then the appeal will diminish. In my mind we should let people bear the responsibility for their own actions," the Dutch Liberal leader declared.

SWEDISH FOLKPARTIET leader Bengt Westerberg was elected to the top position of his country's Liberals a year ago. Aged 41, his amiable manner has won him support among his fellow countrymen, and the likelihood exists that the economist may yet become premier. If not at next autumn's general elections.

Under the rather dull leadership of his predecessor, his party lost ground to the Right and Left, but under his vigorous leadership, the Liberals hope to win back voters to the middle ground in the grand debate about tax reform and the size of the public sector. Some 52 per cent of Sweden's GNP goes on taxation, and public spending takes up 68 per cent.

This has been Westerberg's first visit to the Middle East, and he confirms having discussed the area's problems on frequent occasions with British Liberal leader David Steel. The Swedish Liberal declares himself a firm friend of Israel, arguing that all democrats everywhere must support Israel, although that kind of friendship for the people of Israel should not rule out criticism of certain aspects of Israeli government policy. Hence his strong reservations about the previous government's settlement drive in the West Bank.

As regards the seminar in Amman, Westerberg remarked in measured tones: "I think I understand the problems as well as Steel does, but the difference is that I don't see the need to demonstrate my friendship for the Arabs as well."

The Swedish Liberal leader has publicly criticized his country's Socialist Premier Olaf Palme for his pro-PLO line, finding it unfair for the government to take such an unbalanced line.

Westerberg, who was under-secretary of the ministry of the budget at 35, and a deputy minister at the age of 38, said that while the two parties disagree on foreign policy — especially on Palme's "Third World" rhetoric — there is a consensus on defence policy.

SIMONE VEIL, president of the Liberal-Democratic Bloc of the European Parliament, is a well-known celebrity in this country. She declines to discuss the implications of the meteoric rise of the neo-Fascist vote to the European Parliament in France, arguing that she never discusses French politics outside the country.

Generally speaking, she held it too early to judge whether there was a drift to the Right in Europe. "As you know, both the Socialists and Conservatives pay lip service to Liberal concepts, so it's often difficult to know what is happening," she declares.

Veil spoke of a general feeling throughout Europe that there was too much state intervention, with people seeking greater individual responsibility. "But there is a paradox here, and it's general for the whole of Europe and not just in France. People want it both ways. They want less government interference, more personal freedom, yet they demand, at the same time, that there be no reduction in the state protective mechanism. They want simultaneously to be secure and also to enjoy absolute individual freedom. It's an unresolved paradox."

The most powerful influence emanating from the New World onto Europe was the underlying conservatism of Ronald Reagan, and Margaret Thatcher's rule in Britain was the best illustration of this trend, she declared. People, especially the young, were disillusioned with ideologies as such, seeing no available solutions to mounting problems, especially of the army of 13 million unemployed in Europe.

THE GRAND OLD MAN of the Liberal International, its president, Senator Giovanni Malagodi of Italy, has a unique perspective of contemporary history from the peak of his 80 years. He has been active in Italian politics ever since the disappearance of the Fascist regime at the end of World War II. He served for a time as minister of finance and was part of Italy's delegation to talks connected with the Marshall Plan that helped Europe recover from the devastation of the war years.

Malagodi comes from the town of Cento near Ferrara, where his family lived since the 17th century. His mother was Jewish — of the Levy family which arrived at Cento following the expulsion from Spain. His father was a fighting Liberal editor of the daily *La Tribuna*, and persuaded him to work in banking during Mussolini's regime. He was able to take his family on a banking assignment to Buenos Aires for the duration of the world war.

Malagodi speaks with confidence of the innate stability of Italian democracy, despite the "revolving door" governments. He noted that because 40 per cent of the electorate continues to vote for right and left parties outside the scope of coalition government, especially the Communists, the remaining 60 per cent must stick together. The weakening of the Christian Democrats has given "greater breathing space" to other parties, thus leaders of two small parties — the Republicans Spadolini and the Social Democrats rasi have become premiers.

Although there was a definite shift away from the Left in Italy, as elsewhere in Europe, the Italian Communists represent the peculiarly Italian tradition of anti-capitalism, the Liberal observed. It could only happen in Italy that the recently deceased Communist leader, Berlinguer was a Marquis from Sardinia whose wife and children were devout Catholics.

As a "critical friend of Israel," he trusted that those in authority knew of the saying attributed to Lenin that "the best way to destroy a free society is through inflation."

As Malagodi grew older, he came to admire even more the Italian talent for surviving difficulties: "We Italians know how to cut things down to size. We are a cool-headed people but we talk with passion."

Prof. Malagodi warned Israelis against over-reliance on the U.S. "Beware of being treated as an American outpost, when you are intrinsically an outpost of Europe and you have more in common culturally with Europe than with them," he urged.

ISRAEL LANDS ADMINISTRATION



KIRYAT EKRON LOCAL COUNCIL

ARIM MUNICIPAL DEVELOPMENT Co. Ltd.

Central Region

Owner-Occupier Construction in Kiryat Ekron — Remaining Plots

Twenty-two family plots and 13 single-family plots are still available from the above scheme (published in March 1983). These will be offered to the public with updated values for the land and development work. Other conditions remain as given in the original prospectus, subject to this present notice. The plots will be allocated on a first come, first served basis, starting at 10:00 a.m. on Sunday, September 30, 1984. At that time, a draw will be held among those assembled to register. When coming to register (at the Arim offices, 4 Herzl, Kiryat Ekron, opp. Bank Hapoalim) you should bring a banker's cheque for \$550,000, made out to Arim, which will be regarded as an advance payment on the development work. Additional details at the Administration's offices at the above address. This notice in force until February 11, 1985.

Jerusalem District

Lease on Plot for the Construction of 48 Housing Units — Kiryat Gat, Tender 76/84/JM

Bids are invited from those interested in signing a development agreement with respect to land, the details of which at the time of publishing the tender are as follows:

Block	Parcel	Plot	Approx. Area	Minimum Price* IS	Deposit IS
1832	113 (part)	67	2,394 sq.m.	40,043,400	2,000,000

The urban building plan (no. 3/123/03/9) permits a gross area of 130 sq.m. per housing unit. Number of floors 8 + pillars/floor. Total area for registration purposes: 8,240 sq.m. + 300 sq.m. commercial. * The minimum price is based on the present state of development. Additional development will be paid for by the successful bidder to the development authority concerned. Additional details and bid forms can be obtained from our Jerusalem District office, 34 Ben Yehuda, Tel. 224121, during regular working hours.

Last date for submitting bids: Oct. 24, 1984 (12 noon).

A bid not found in the tenders box when it is opened, whatever the reason, cannot be considered. No undertaking is given to accept the highest or any bid.

Tel Aviv District

Lease of Plot for the Construction of 4 Housing Units, Or Akiva, Tender 77/84/TA

Bids are invited from those interested in signing a development agreement with respect to land, the details of which at the time of publishing the tender are as follows:

Block	Plot	Aprox. Area	Total Building Percentage on 2 Floors	Minimum Price IS	Deposit IS
6225	70	740 sq.m.	70	7,884,050	400,000

Details, sample agreements and bid forms are available at our Tel Aviv district office, 168 Derech Petah Tikva (Ben Kaila) Tel. 335433, during regular working hours.

Last date for submitting bids: Oct. 24, 1984 (12 noon).

A bid not found in the tenders box when it is opened, whatever the reason, cannot be considered. No undertaking is given to accept the highest or any bid.

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Rotem retires after 10 years at the helm 'Stretching' container ships to cost Zim about \$90 million

BY YA'ACOV FRIEDLER
HAIFA. - Zim will "stretch" ten of its container ships and change the engines of seven of them to increase their capacity and fuel economy. The two-year project will cost about \$90 million, general manager Yehuda Rotem told the press here yesterday.



Yehuda Rotem

the world's largest container fleets, for the past ten years, is retiring tomorrow. He will return to his kibbutz, Sdot Yam.

One of his deputies, Matty Morgenstern, will be acting general manager until the new owners, the Eisenberg group, decide on a permanent appointment. The group recently acquired the Israel Corporation, which holds 50 per cent of Zim's shares. The government owns 40 per cent and the Histadrut the remaining ten.

Rotem said he was leaving "with

mixed feelings," since Zim was still in dire financial straits after eight years of worldwide slump in the industry.

The first part of this year had also been "very bad," but since April freight charges had risen by up to 25 per cent from their ruinous lows, offering some hope for the future, he noted.

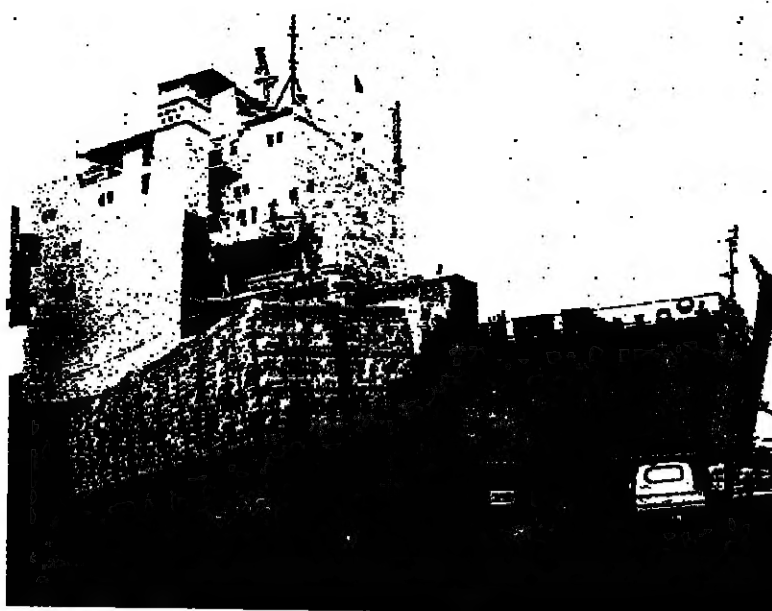
Rotem said he had decided to stand down from his job on approaching retirement age, because he was a firm believer in rotation and giving younger men a chance to revitalize management.

He added that Zim's foreign business now accounted for 60 per cent of its \$700 million annual turnover. During the past decade great economies had been effected at every level, and despite the slump Zim had actually increased its cargo capacity by 10 per cent annually. During his tenure, labour relations had been stabilized, shipboard discipline restored and the authority of management reasserted, Rotem said.

Yesterday Zim signed a contract with the Israel Shipyards here to stretch three of its smaller container ships, to enlarge their capacity by 25 per cent without additional crew. The job will cost \$1 million per ship.

Zim also plans stretching seven of its big container ships by 25 per cent and replacing their fuel-guzzling turbine engines, built before the 1974 fuel crisis, by the most modern diesel motors. The step is expected to save \$19m. a year.

The low price, \$12 m. per ship, and the "dream" financing package the foreign yards had offered, made the scheme "most attractive" now, Rotem said.



A special port trailer-truck brings a platform of grapefruit boxes for loading on board the Zim freighter Lotus. (Israel Sun)

Competition makes citrus growers face year of gloom

By YITZHAK OKED
Jerusalem Post Reporter
TEL AVIV. - The new citrus export season threatens more gloom and sadness for local growers.

Experts fear they will continue losing money as they have done for the past four years, in sharp contrast to the former profits reaped by farmers from what was once Israel's main export.

The first shipment of grapefruits from the Jordan Valley was exported last week - crucial days earlier than normal because of the particularly hot summer.

This should ensure that Israeli grapefruits are the only ones on the market for the next few weeks, but then the prices will drop in the face of competition from Cyprus and Greece.

Menahem Poraz, secretary of the Citrus Marketing Board, told *The Jerusalem Post* that they are going to try to ship as much fruit as possible before the competition arrives on the market.

But, he added, efforts would be hampered by the fact that this week is the start of the High Holidays.

The Post learned that the CMB is in the middle of a crisis, with the continuing weakening of European currencies against the U.S. dollar and the increase in the amount of citrus fruits available from other European countries.

The CMB is also working without a general manager, since the resignation in July of Dan Paldi. He walked out when the board and the government refused to accept his plan of action to revive the organization.

Paldi wanted to streamline its activities in Israel and increase the

sales manpower in Europe in a bid to compete aggressively with the other citrus growing countries.

Since his resignation, no replacement has been found and farmers fear that unless a general manager is appointed soon, the new export season will be a total loss.

Several candidates have been mentioned for the job, including Meir Ben-Meir, the director-general of the Ministry of Agriculture, who is now also the acting general manager.

But *The Post* learned that the problems facing the CMB are so huge that all the candidates have refused to accept the job.

Meanwhile, the CMB has started to carry out a decision forced on it by the government to cut down its workforce. It has already fired 13 employees from its depot at the port of Ashdod, and *The Post* has learned that it plans to fire another 95 workers out of a total number of 250.

Farmers have been chopping down their citrus orchards because of the recent bad years.

According to optimistic estimates the country has lost about 50,000 dunams of fruit bearing citrus trees. Four years ago there were about 380,000 dunams and today this number has fallen to between 320,000 and 330,000.

This is also one of the main reasons for the severe drop in quantities exported.

Four years ago the average number of 20 kilogram citrus crates exported per year was 45 to 47 million.

This year CMB estimates the equivalent of about 26 million crates will be exported, a drop of about 40 per cent.

Interest rates rise 2.5% at Leumi

By PINHAS LANDAU
Jerusalem Post Reporter
TEL AVIV. - Bank Leumi initiated the first move in a round of interest rises, when it announced yesterday a 2.5 per cent across the board rise in borrowing costs.

With effect from October 1, the bank's prime rate will stand at 21 per cent, up from 18.5 per cent now. Regular interest rates to authorized overdrafts and credit lines will be in the 21-23.5 per cent range. Salary-earners will pay 21 per cent on the first IS20,000 they stand overdrawn. The rate for unauthorized overdrafts will be 5 per cent above the relevant authorized rate. This represents a reduction from the current penalty rate of 6.5 additional per cent over and above the authorized rate, a move the bank could allow itself, since "it found the gap larger than was actually necessary," in the words of one spokesman.

All these rates are, of course, monthly. The new range of 21-23.5 per cent monthly translates, after compounding, into annual rates of 900-1,150 per cent.

The background to the latest hike in rates, which will doubtless be followed by the other banks today or tomorrow, is to be found in two developments: The huge and omnipresent liquidity deficits hanging over the banking system, and the much higher level of inflation to which the economy is moving.

The level of liquidity deficits varies over the course of each month, with the second half always worse than the first, after the payment of VAT on the 15th and the running out of salaries paid in the first part of the month.

At this moment, the deficits are in the area of IS30 billion, but this is a "net" figure, because it comes after the banking system has already taken full advantage of the multi-stage "monetary loans" that the Bank of Israel makes available to it, as the overall and individual deficits grow. These loans come to IS60b.-70b. in all, spread over four different stages, with interest on them rising from 18 to 24 per cent from lowest to highest.

In this connection, it would be surprising if the central bank did not adjust its own interest charges from the banks to this latest increase. This was the pattern on the last two occasions, when the banks raised their rates, in July this year.

It is also possible that the Bank of Israel will leapfrog this 2.5 per cent rise and force rates higher still, as it did earlier this year. The Bank of Israel was unwilling to comment on this, last night.

The reason for such a move is tied to the second factor behind Leumi's decision, namely the sharp increase in the rate of inflation, beginning this month, and expected to be much worse on October. Given a move by the economy of 20 and probably 25 per cent monthly inflation, the existing rate structure has become "unreal" and must be brought into line with reality.

Bank of Israel sources were unwilling to judge this justification until they had a chance to assess the impact of yesterday's measures on inflation in the coming months. It should be recalled that, in the April-May period of this year, the central bank forced rates up very sharply, to bring them into line with the (then-high) index numbers of those months.

Interest-rates to depositors were raised by Leumi last week, and are now in the order of 20-22 per cent, with even a small deposit of IS250,000 receiving 20.25 per cent on a *pakam* account. "Jumbo" de-

posits of hundreds of millions of shekels can obtain up to 25 per cent monthly at the moment.

The Bank of Israel source indicated to *The Jerusalem Post* that while the recent move to raise deposit rates has had the positive effect of reducing the gap between borrowing and lending rates in the banks, this new increase in lending costs would widen that gap again to very reasonable proportions, as it had been before.

A spread of 5 per cent per month of effective rates, (taking into account all the charges and commissions on authorized lines of credit) was unwarranted, and the central bank would act to cause the banks to raise their rates to depositors again and thus reduce their spread, he indicated. This could only be done by a sharp increase in the cost of the central bank's loans to the commercial banks, so that it would be cheaper for the latter to borrow from the public the marginal funds they needed than to borrow from the Bank of Israel.

Arab air travellers demand El Al-cooked kosher meals

By MICHAEL YUDELMAN
Jerusalem Post Reporter
BEN-GURION AIRPORT. - Moslem passengers flying Arab airlines are demanding kosher food - supplied by El Al.

But before the meals are served all signs of their Israeli make or origin are carefully removed.

El Al's food division, Tamam, revealed that the kosher food is supplied by its London kitchen for Arab airlines which fly regularly to the English capital.

Tamam now provides 1.8 million aircraft meals every year and at a recent press conference unveiled the latest improvements in El Al's culinary services.

First class passengers may pick a starter course from a choice of smoked trout, rolled smoked salmon and stuffed avocado.

For their main meal they are offered Moroccan style beef stew, stewed chicken, roast shoulder of veal or Hungarian beef goulash with salads.

Dessert consists of fruit cakes, pear "Belle Helene" or seasonal fruit. All meals for first and business classes are served on china plates.

Business and tourist class passengers may choose between two of the main courses on the menu.

All the meals are strictly kosher and prepared from high quality ingredients, said a spokesman for El Al's ground operations - which includes the food division.

However, El Al's ultra-Orthodox passengers insist on ordering the meals from private European companies which compete with El Al's kosher food services.

El Al's meals are supervised by the airline's food adviser, master chef Uri Gutman, who constantly updates the menus and adapts them to the preference of passengers in every line.

El Al's food department offers different menus for the company's various lines, supplied by El Al's kitchens at Ben-Gurion Airport, New York, London, Johannesburg, Montreal, Paris, Lisbon and Brussels.

Until a year ago, El Al served Martell brandy after the free alcoholic drinks in the first and business classes. But after an Israeli rabbi "discovered" the non-kosher brandy on board, the airline stopped serving it.

Now El Al has been stuck with 5,000 bottles of the expensive spirit as it has switched to serving another French brandy declared kosher by a well-known rabbi, said the spokesman.

TERROR TRIAL

(Continued from Page 3)

witness reiterated.

Ben-Bassat admitted that even though the bombs used could have killed, such an outcome could also have been made more likely. More explosives could have been employed, for instance, and yes, it was possible to "aim" a blast at a driver's head or body, instead of at his feet. Avi-Yitzhak was equipped with diagrams on the subject, and the comparison with the Shulman bomb seemed to backfire against the prosecution - Ben-Bassat confirmed that it was apparently aimed differently.

At one point, Avi-Yitzhak raised eyebrows in the courtroom by asking Ben-Bassat if he had been involved in "plans by the authorities to send letter bombs" to the mayors and

other radical Palestinian leaders in 1980. The lawyer claimed to know that there was such a proposal, and the matter can be expected to arise again, if the defendants attempt, as they have said they will, to charge that "top political and military authorities urged them to take actions that a democratic state cannot."

Whether or not the defendants know about such a letter-bomb plot, it was presented as fact, though unattributed, by Kol Yisrael Radio's reporter on West Bank affairs, Pinhas Inbari, in an article two months ago in the Tel Aviv monthly *New Outlook*. He wrote that staff officers then proposed the plan "in order to balance the terrorism," added that Moshe Levy, now Chief of the General Staff, was present at the meeting at which the idea was raised, and dropped after "scathing criticism." Yet "the officers who broached the idea remained at their posts, Inbari said.

Asked if he knew about the plan, Ben-Bassat replied simply, "No," and the matter was dropped.

After Ben-Bassat's testimony, police investigator Rav-Pakad Shimon Sharvit took the stand as the prosecution's first witness in the mini-trial on the admissibility of the defendants' confessions. He countered allegations that Livi and defendant number 3 Shaul Nir were forced or tricked into signing state-

ments and making films, and suggestions that they might have been drugged.

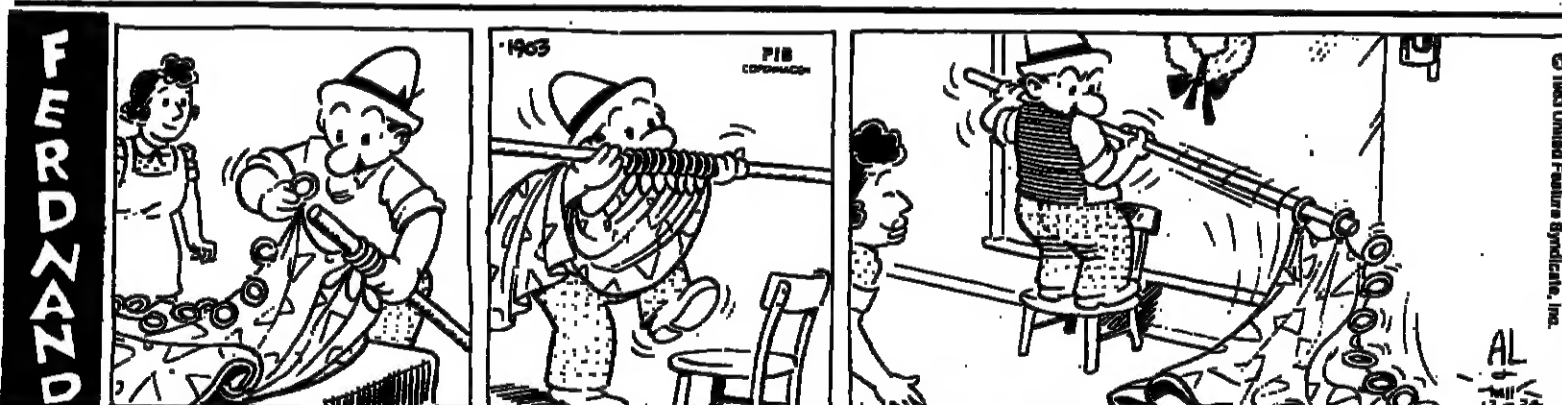
For most of the last hour yesterday, the court was bogged down in the trial within a trial, with the defence attempting to question the admissibility, in the context of the mini-trial, of Sharvit's testimony on the first conversations allowed between the defendants and their lawyers.

Sharvit and General Security Service agents had been present at the meeting because of a High Court-ordered compromise allowing the consultation on condition that the substance of the ongoing interrogations not be discussed. Avi-Yitzhak argued that the conversation remained privileged, as are most private consultations between lawyer and client.

Benish, on the other hand, asserted that the third-party presence cancelled out the privilege, which in any case applies only to the lawyer's right not to testify.

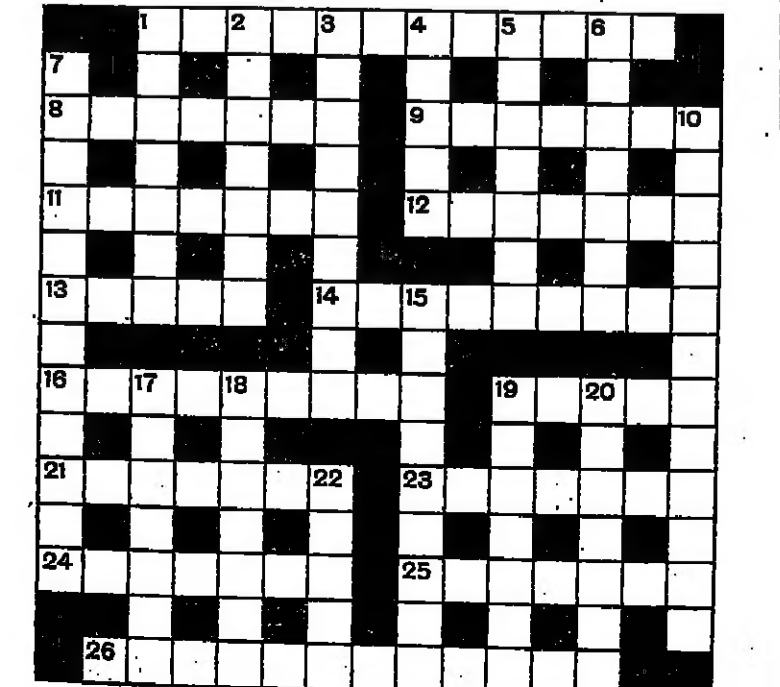
Judges Ya'acov Bazak, Shmuel Finkelstein and Zvi Cohen promised to hand down their decision on the matter at today's session.

Present in the audience for the first time yesterday was Gush Emunim leader Rabbi Moshe Levinger of Hebron. Levinger was arrested and questioned for 11 days last May, on suspicion of knowing about some of the alleged terror acts in advance. But he was released on bail and has not been charged.



ONE-AND-ONE CROSSWORD

- | ACROSS | DOWN |
|--|---|
| 1 It consists of a lot of old men as a rule (12) | 1 It goes to pieces when hurled into the fight (7) |
| 8 Stylish wild eagle linked with the National Trust (7) | 2 Members of the checking staff no papers can do without (7) |
| 9 Backward pun, reflectively composed? (5, 2) | 3 All the trawler crew had after deducting expenses (3, 6) |
| 11 Soames Forsyte's daughter embracing an idle fellow (7) | 4 Time-honoured feature of a bold endeavour (5) |
| 12 Disgusting row about a high civic award (7) | 5 Matter-of-fact attitude about the distribution of mails? (7) |
| 13 Right sort of seed for plants that require a lot of water (5) | 6 A container that is sealed with grim sincerity (7) |
| 14 A very fine scholastic achievement and no mistake! (4, 5) | 7 Spiritually little fellow fighting about a domain in which social services have top priority (7, 5) |
| 16 The one card the athlete will have when he's running? (9) | 8 A paper-clip kept as a souvenir, maybe (5-7) |
| 19 Impressive stamp edged with gold - the last word in France (5) | 15 Plausible pirate's winter wear? (4, 5) |
| 21 She gets Ben confused with Alan (7) | 17 Deserted racecourse suggested by a many-sided figure (7) |
| 23 Doesn't keep to the coastline, as the pier does? (4, 3) | 18 Bloomer made by a genial essayist going after a high-ball (7) |
| 24 As a fortified drink it takes some beating (5-4) | 19 Professional entertainer of first-rate virtuosity? (7) |
| 25 Old German mercenary of coarse fibre (7) | 20 Reagan, in short, is absorbed in it as was Jane Austen (7) |
| 26 Brightly shining sort of lamp to which Quechwas may lay claim? (12) | 22 Made progress in leaps and bounds (5) |



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ACROSS
1 Perused
3 Streams
5 Beneath
10 Weariness
11 Cut into shape

DOWN

12 Patience
14 Item
16 Behind
18 Reckless fellow
20 Summertime
22 Early English poet
23 Silent
25 Spattered with water
26 Repulsive

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L E
G U T L E S C O L U M B A
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Market takes defensive stance

The share market turned decisively weaker yesterday, while bonds remained stable, with volume at the same levels as at the end of last week.

In a day chock-a-block full with economic news and reports, the general feeling on the share market was cautiously negative. In other words, after pausing to assess the actions of the unity government to date, the majority of the stock exchange community has not found anything to enthuse about, and, on the other hand, has found signs of vacillation and unclear thinking that are beginning to cause it concern.

However, the consensus view is that it is too early to write off the new government yet, and that at least another week or two of "grace" could be granted it to try to put together a definitive programme, before any far-reaching conclusions can be drawn.

Against this background, the market is obviously going to mark time. If it stands still, in nominal terms, the current rate of inflation means that prices are eroding by 5-6 per cent a week. Furthermore, the holiday season, with numerous trading days

Tel Aviv Stock Exchange

By PINHAS LANDAU

about to be lost, means that it is even more difficult than usual to keep up with the decline in the value of money. All of these factors militate against keeping money invested in shares, or at least adding more to existing investments, and therefore make it more likely that the market will remain on the defensive in the immediate future.

The generally unhappy reaction by professional economists, to the economic measures announced yesterday, is not likely to improve matters when trading is renewed today.

Yesterday saw a mixed pattern within the share market. The "arrangement" bank shares held steady and exerted a moderating influence on the General Share Index, so that the latter only fell by about 1/4 of one per cent. However, this masked much sharper falls in certain sectors, notably the 5.69 per

MARKET STATISTICS

Indices

General Share Index	383.65	-0.58%
Non-bank Index	285.53	-1.76%
Bank Index	451.60	+0.02%
Industrial	326.57	-0.44%
Bond Index	317.62	+0.47%

Turnovers

Shares	IS 930.9m.
Bonds	ISL 469.4m.
Totals	ISL 390.3m.
Advances	116
Declines	223
of which 5% +	28
"Buyers only"	63
"Sellers only"	42

Bond market trends

4% fully-linked	Mixed to 3%
3% fully-linked	Stable/Falls to 1%
90% linked	Stable/Rises to 1%
Double-option	Stable/Rises to 3%
Double-linked	Stable

Most Active Shares

Discount A	18095	IS134.6m.	n.c.
Leumi	6135	IS134.3m.	-90
Hapoalim	9855	IS124.7m.	n.c.

Sharpest Moves

T.G.L. op.	33.5	+16.5	+97.1%
Teta op.	1	-14	-93.3%
Cyclones op.	58	-42	-72%

David Rockefeller chastises U.S. for being stingy

WASHINGTON (AP). — Multimillionaire David Rockefeller on Saturday chastised the United States for its failure to aid the world's poorest countries.

Rockefeller, speaking to a convention of the American Bankers Association, said it was vital that the U.S. and other industrialized countries substantially increase aid to combat human suffering and solve the international debt problem.

"In the longer term," said Rockefeller, who retired three years ago as chief executive officer of Chase Manhattan Bank, "it is quite simply a matter of life and death."

He cited statistics showing severe economic problems faced by the Third World and said he was amazed by the difficulty of convincing the U.S. Congress of the importance of keeping the rest of the world economically healthy.

U.S. efforts have declined markedly since the Marshall Plan for European recovery after World War II, Rockefeller said.

"Foreign assistance between 1948

and 1952 averaged a full 15 per cent of overall U.S. Federal spending," he said. "Today the figure is 1.7 per cent."

Measured as a percentage of Gross National Product, the U.S. once led the world in its generosity, but has slipped to 16th place, he added.

Rockefeller told reporters after his speech that he was heartened that President Ronald Reagan's Administration had increased its interest in foreign aid after taking a hostile approach at the beginning of its term in 1981.

But, he said, the Administration was stressing aid to individual countries with moderate problems, and cutting back on aid to the world's poorest nations, especially through the World Bank's International Development Association (IDA).

At U.S. insistence, he noted, the IDA's fund for the five-year period that began this year is \$5.9 billion, 25 per cent less than the fund for the previous period. If inflation is taken into account, IDA has 40 per cent less to work with, he said.

cent drop in the important investment company group, 5 per cent in the oil sector, and 3 per cent among the mortgage banks. Industrials, on the other hand, were only 0.44 per cent lower.

A number of options due to expire this week made some enormous moves, including a loss of 93 per cent in Teta options and a similarly large gain of 97 per cent in T.G.L. options.

Heavily falling shares and options were far more numerous than issues managing sharp gains, and some of the bellwether shares, such as Discount Investments, were among the 10 per cent fallers.

Index-linked bonds were firm on the whole, with turnovers remaining in the area of ISL 5 billion. The price hikes announced last night should bring quite strong rises in this group today, although the rise in interest rates available on bank deposits is certain to draw money away from this market and into the banks.

Mekorot pump breaks down

By YITZHAK OKED

JERUSALEM POST REPORTER
TEL AVIV. — One of the three main pumping stations of the Mekorot national water company's Sapir station on the north-western shore of the Kinneret has broken down due to an electrical fault.

It is expected that the unit will be out of action for two to three weeks, but the supply of water for both drinking and irrigation is not threatened.

Company spokesman Mordechai Yacobovitch declared that supplies would only be at risk if a second unit was hit.

But he stressed the need for a fourth pumping unit at the Sapir station, which would also increase the amount of water pumped during the peak summer months. He added that the fourth unit had been given government approval, but in the present economic climate no funds had been made available for the project.

Agriculture Minister Arye Nehamkin is expected to decide today on how to help the moshavim pay their debts to Mekorot.

Meanwhile, the national water company which is also owed money by municipalities and local councils, has been forced to take a short-term loan of IS2 billion to pay for part of its own electric bill.

The Electric Corporation has given Mekorot until Thursday to find the rest of the money.

Mizrahi leads Hapoalim in bonus game

Post Finance Reporter

TEL AVIV. — Bank Mizrahi and Bank Hapoalim are continuing to offer extra bonuses to new depositors in the three dollar-linked saving schemes which are now available.

While all the banks offer to link depositors' money to the representative exchange rate of last Wednesday — for all new deposits made until this Wednesday, Mizrahi and Hapoalim have gone beyond that. The representative rate of last Wednesday was IS391.45=\$1, but at Mizrahi deposits of IS100,000 and more will be given a base rate for linkage of IS381.9, or 2.5 per cent extra over the life of the saving scheme (between 2 and 7 years).

At Hapoalim the special rate on offer, also for six-figure shekel deposits, is IS384.90=\$1, a bonus of 1.7 per cent.

Commercial Banks

(not part of "arrangement")

OHMI	4000	16	-220	-5.2
Maritime	2640	330	n.c.	-
Marumet	740	628	-45	-5.7
N. American	2049	31	n.c.	-
N. American	1285	18	n.c.	-
N. Amer. op.	2872	14	+50	+1.8
Danot	495	34	n.c.	-
Danot s.	98	s.o.i.	-3	-4.9
Danot s.	243	120	-13	-5.1
First Int'l	525	1131	-30	-6.0
FIBI 0.5	398	704	-33	-7.7

Commercial Banks

(part of "arrangement")

IDB R	14480	304	+380	+2.7
IDB R	12700	15	+800	+5.4
IDB R A	91100	n.c.	-	-
Umot 0.1	10660	196	n.c.	-
Discount B R	19000	13	n.c.	-
Discount B R	18095	743	n.c.	-
Discount B R	2250	41	+100	+4.7
Mizrahi R	3865	572	n.c.	-
Mizrahi R	5930	12	n.c.	-
Mizrahi R	2680	60	n.c.	-

Real Estate, Building

Gindi 1	895	142	n.c.	-
Gindi 2	622	80	n.c.	-
Gindi 3	192	56	+4	+2.1
Oren 5	78	2808	-5	-6
Azaron Prop.	342	s.o.i.	-18	-5.0
Azaron op.	242	5	-20	-7.6
Elion	80	865	-8	-9.1
Elion op.	67	30	-9	-1.7
El-Ros 1	219	30	+10	+4.8
El-Ros 2	148	39	n.c.	-
Amnion	149	b.o.i.	+7	+4.9
Amnion op.	232	81	+8	+2.8
Amnion R	2120	5	n.c.	-
Amnion R	1984	11	-12	-6
Azaron	177	60	-3	-3.6
Azaron op.	98	6	-28	-5.0
Arifan 0.1	928	6	+6	+7
Arifan 0.5	400	180	n.c.	-
Ben Yakar 1	no trading	-	-	-
Ben Yakar 2	no trading	-	-	-
Baranowitz	291	30	+1	+3
Baranowitz op.	151	35	+5	+3.4
Danot	32	661	-14	-13.2
Danot op.	370	136	n.c.	-
Danot R	261	86	n.c.	-
Drucker 1	129	310	n.c.	-
Drucker 2	82	200	-3	-3.5

Mortgage Banks

Adman 0.1	1400	100	-67	-4.6
Gen. Mortgage	1270	220	-15	-1.2
Gen. Mortgage	1270	220	-15	-1.2
Carmel 1	1270	220	-15	-1.2
Carmel 2	496	169	-10	-2.0
Blizay	865	30	-96	-10.0
Dev. Mortgage	500	813	-55	-9.9
Dev. Mortgage	1450	18	-15	-1.0
Mishkon 1	760	s.o.i.	-40	-5.0
Independence	1599	2	-96	-5.7
Tefelot 1	1577	s.o.i.	-83	-5.0
Tefelot 2	1320	97	n.c.	-
Tefelot 3	240	9	-20	-8.3
Jayson 1	199	305	-7	-3.4
Jayson 2	119	305	-7	-3.4
General op.	119	150	n.c.	-
Merav 1	700	s.o.i.	-57	-5.0

Financial Institutions

Shilon 1	130	665	-6	-4.8
Shilon 2	1626	n.c.	-	-
AgriFinance A	15000	n.c.	-	-
AgriFinance B	30490	b.o.i.	+1452	+5
AgriFinance C	110	70	-8	-7.3
Leumi Ind B	1100	n.c.	-	-
Ind. Dev. P.	24050	n.c.	-	-
Ind. Dev. P.	78000	1	+7000	+9.9
Ind. Dev. P.	50501	n.c.	-	-
Ind. Dev. P.	30365	n.c.	-	-
Ind. Dev. P.	30365	n.c.	-	-
Ind. Dev. P.	13800	n.c.	-	-
Ind. Dev. P.	800	520	+20	+2.6
Ind. Dev. P.	37066	n.c.	-	-
Ind. Dev. P.	421	115	-20	-4.5
Ind. Dev. P.	242	s.o.i.	-13	-8
Ind. Dev. P.	2662	11	+20	+8

Insurance

Aryeh 1	660	s.o.i.	-35	-5.0
Aryeh 2	301	50	-70	-18.9
Aryeh sub deb	7057	3	+30	+3.8
Aryeh sub deb	830	30	+23	+7.0
Aryeh sub deb	384	390	+23	+7.0
Reimur 0.1 R	800	10	+29	+3.8
Reimur 0.5 R	230	85	+9	+4.1
Hadot 1	410	1	n.c.	-
Hadot 2	1472	472	n.c.	-
Phoenix 0.1 R	2030	n.c.	-	-
Phoenix 0.5 R	686	2	+33	+5.1
Hanukim 1	1701	30	+29	+1.7
Hanukim 2	1240	30	+18	+1.5
Hanukim op.	104	144	+24	+555.0
Yardenia 0.1 R	183	94	n.c.	-
Yardenia 0.5 R	132	61	n.c.	-
Memoria 1	4190	1	n.c.	-
Memoria 2	895	4	n.c.	-
Memoria op.	660	s.o.i.	-35	-5.0
Securitas 1	640	546	n.c.	-
Zur 1	no trading	-	-	-
Zion Hold. 1	794	n.c.	-	-
Zion Hold. 2	258	669	-29	-7.1

Trade & Services

Inter-Gamma 1	320	2	+12	+2.4
Inter-Gamma 2	188	697	+17	+9.9
Inter-Gamma 3	66	40	n.c.	-
Meir Ezra	690	20	+23	+3.5
Meir Ezra op.	440	80	-10	-2.2
Teta 1	216	81	-24	-10
Teta 2	200	s.o.i.	-14	-4.8
Teta op.	120	8885	-14	-92.1
Cit Trade	317	s.o.i.	-16	-4.8
Crystal 1	271	s.o.i.	-14	-4.9
Rapac 0.1	560	n.c.	-	-
Rapac 0.5	955	29	+240	+5.0
Supercol 1	2170	158	n.c.	-
Supercol B 10	1000	621	n.c.	-

Services

Delet 1	2600	210	-200	-7.1
Delet 2	2002	22	n.c.	-
Delet 3	1885	s.o.i.	-99	-5.0
Lightage 0.1	919	140	-102	-10
Cold Store 0.1	no trading	-	-	-
Cold Store 1	no trading	-	-	-
Israel Elco 1	1067	s.o.i.	-56	-5.0
Bond Ware 0.5	565	31	-63	-10.1
Bond Ware op.	308	175	-60	-16.3
Consort 0.1	no trading	-	-	-
Consort op A	no trading	-	-	-
Kopel 1	461	3	-39	-7.8
Kopel op.	250	n.c.	-	-

Hotels, Tour

Gel Zohar 1	no trading	-	-	-
Gel Zohar 2	no trading	-	-	-

Textiles and Clothing

Ona	189	b.o.i.	+9	+5.0
Ona op.	120	60	-10	-7.7
Baruch 1	520	9	n.c.	-
Baruch 2	252	8	n.c.	-
Baruch op.	80	75	+12	+9.9
Alaska Sport 1	133	338	+12	+9.9
Alaska Sport 2	75	47	+3	+4.2
Etan 1	125	777	-2	-1.6
Etan op.	81	136	-2	-2.4
Arganman 1	1038	n.c.	-	-
Arganman 2	564	219	+30	+5.6
Arganman op.	378	190	n.c.	-
United Spinner	144	145	+8	+5.6
United Spinner op.	70	n.c.	-	-
Spinnery op.	38	209	-1	-2.6
Vitalop 1	188	51	-10	-5.1
Vitalop 2	112	151	-12	-10.0
Wardman	290	13	n.c.	-
Wardman op.	144	n.c.	-	-
Zila 1	157	6	+2	+1.4
Zila 2	76	100	-4	-5.0

Metals and Metal Products

Clal Comp.	607	s.o.i.	-32	-5.0
Clal Comp. op	341	-	-	-
M.L.L. 1	1360	25	n.c.	-
M.L.L. 5	570	50	n.c.	-
M.L.L. op	331	20	n.c.	-
Mashov	295	40	+10	+3.5
Nikus 1	431	27	+4	+9.9
Nikus 5	282	-	-5	-1.7
Nikus op	191	21	+4	+2.1
Team 1	1220	3	+10	+8
Team op	955	10	-30	-3.1

THE JERUSALEM POST

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Too much and too little

THE NEW government has displayed laudable haste in addressing itself to the economic crisis. However, if anybody thought that sheer hectic activity amounts to coming closer to solutions, then yesterday's government resolutions should teach him better.

The upshot of these resolutions is an effort to curb aggregate demand. A whole series of new taxes and levies is to mop up purchasing power from the public, and cuts in government expenditure are to reduce public sector demand.

However, the cuts in government spending, which is the key variable in any policy meant to halt the mad inflationary race, will be much less than the Treasury thought was the necessary minimum — and that was half of what the economics profession thought was needed. Defence expenditure, for example, is to be cut, on paper, by \$300 million, which would correspond to the proportional share of defence in total government spending. However, for the next half year the cut is to be no more than \$80 million, and the remaining \$220 million are to be paid off only in the next fiscal year. What is true for defence is largely true for other cuts in government operations.

In the immediate cuts in government spending, the slashing of the subsidies to basic products will account for the lion's share — and that is no reduction of government operations, but is tantamount to a tax — in a magnitude that is nearly equivalent to what the government expects to collect from all the other new taxes together.

The ultimate ratio of the package of economic measures adopted yesterday is to boost inflation to as much as twice its present, already uncontrollable level of 400 per cent a year. A price and wage freeze. Finance Minister Yitzhak Moda'i made plain, will have to wait until the conditions for it are ripe — until, that is to say, aggregate demand is curbed so that market forces will restrain prices.

The big question is whether the measures now taken will lay the groundwork for curbing inflation at some later, still unspecified date. If at 400 per cent per annum, inflation has run out of control, as has recently been admitted even by government officials, it is, to say the least, extremely doubtful that it will become more controllable by being pushed to close to 1,000 per cent a year.

The talks about a so-called package deal are still going on, but it is evident that any trilateral agreement between the government, the employers and the Histadrut has been put off to the Greek calends. The government has decided to jack up taxes across a broad front and the industrialists have responded with a flat no to any idea of a price freeze. The only "advance" on account of economic stabilization so far has been paid by the Histadrut, by its acceptance of the surtax on income which will be collected mainly from wage earners, and its tacit agreement to the rest of the package of economic measures decided yesterday, most of which will also fall most heavily on wage earners.

It is undeniable that the state of our economy has reached an impasse in which there may be no other way out. Any talk of a price freeze when demand and liquidity are high, Professor Haim Barkai said last week, is pure balderdash. True enough — for an administrative, or even a voluntary, price freeze must be backed up by choking off demand, or by the ability to flood the market with competitive imports.

Election economics, and the squandering of a third of our foreign currency reserves, have seen to it that the latter possibility is ruled out. We do not have the foreign currency resources to use imports as a control mechanism on prices. And if prices cannot be held in check, the government cannot stop the devaluation process, and no wage freeze can be expected beyond the constant wage erosion implicit in the existing cost-of-living agreement.

The critical state of our foreign payments position has been put under a glaringly harsh searchlight by *Euromoney*, the prestigious London-based financial monthly which carried what amounts to a devastating report on Israel's economy. In the report we were excluded from the list of 116 countries regarded as able to repay their debts, and were characterized as having done worse last year, economically, than any other country except Bolivia.

If the sorry state of the economy has reduced the choices open to the government, then the weaknesses inherent in the national unity government itself impose further constraints. Economic decisions of the kind that have become imperative, require major decisions on national priorities with regard to settlements, defence and foreign policy. In all these areas the national unity government is reduced to virtual immobility. It will soon become apparent that the political stalemate will also make itself felt with regard to the distribution of the economic burden. The attacks already launched by the Likud faction in the Histadrut on Secretary-General Israel Kessar for agreeing to the surtax is a harbinger of what is yet to come.

The government's fire-test will be the next two or three months. If it does, against all odds, succeed in really curbing demand, it may have a chance of steering the economy half-way towards stability. If not, chaos may soon stare us in the face.

WE MAY BE witnessing the preliminaries of a Soviet peace offensive. First, we are presented with the clumsily handled resurrection of Andrei Sakharov and his wife to calm Western opinion. Then an American television network is given a relatively free hand to report on the Soviet scene. Next, President Konstantin Chernenko released an interview in *Pravda* which softened some of the harsher Soviet rhetoric. This was followed by the announcement that Foreign Minister Andrei Gromyko would meet with President Ronald Reagan.

Whether all of these events are connected does not emerge clearly from the crab-like manner by which Soviet diplomacy advances. A steady stream of attacks on the United States continues. But at a minimum, the Soviets seem intent on showing a milder face to the world. A full-scale peace campaign may await the outcome of the U.S. presidential elections. But there can be little doubt that its centre-piece, whenever it comes, will be the demilitarization of outer space.

It is also safe to predict that the Soviets will follow their almost invariable tactic of seeking to achieve their principal objective by insisting on their agenda. Thus, Chernenko, in characteristically elliptical fashion, has put forward these propositions:

□ That negotiations about defensive space weapons must precede talks dealing with offensive weapons;

□ That the United States must commit itself at the outset to demilitarization of space;

□ That the United States must agree to a moratorium on testing weapons in space.

IT IS NOT too early to begin thinking about two basic issues. The first is whether the Reagan Administration should continue to insist that talks on offensive and defensive weapons be conducted simultaneously. Second is the question of what the U.S. position should be, including whether the United States can afford to commit itself to the demilitarization of space at the outset of negotiations.

As to the issue of linkage, a little history may be instructive. In 1967, president Lyndon Johnson proposed to prime minister Alexei Kosygin that anti-ballistic missile (ABM) defences be banned. Kosygin flatly rejected it. President Nixon finally submitted a plan for an American ABM Congress in 1969.

After congress went along with the president, the Soviets opened the very negotiations they had rejected two years earlier. Now they would talk about no other subject. At least of all offensive weapons. As late as three weeks before the final breakthrough, the Soviets put forward what is now the Chernenko ploy: they offered the "concession" of talking about offensive weapons but only after negotiations about defensive weapons had been completed. Finally, in May 1971, the Soviets grudgingly agreed to link the two. Today the outcome is likely to be the same if the Reagan Administration holds its ground.

The Soviets have been vociferous about banning defensive weapons in outer space where U.S. technology is superior. They have been ambivalent or silent about land-based defensive weapons in which they have conducted vigorous research and appear to be constructing radars that violate the spirit and almost surely the letter of the ABM treaty.

A few facts may help the reader: A treaty now limits both sides to one land-based ABM site. The United States has unilaterally dismantled its site. The Soviets have maintained their one and spurred research on traditional technology. The United States is doing research aimed at a new system which would destroy incoming warheads in space but would also require some defensive stations on the ground that catch the missiles that get through. To deploy such a system would require a renegotiation or abrogation of the ABM treaty.

I have not yet made up my own mind on what position the United States should ultimately take on that issue. I was less than enthusiastic about President Reagan's "Star Wars" speech when I first read it. As one of the architects of the existing ABM treaty, I instinctively resisted the proposition that it be modified. Also, a foolproof defence of civilian population — that seemed implied by

Positive thinking about defence

By HENRY A. KISSINGER

that speech — is a mirage. Even a 90 per cent effective defence would still let enough weapons through to destroy an unacceptable proportion of the U.S. population.

As I reflected, that argument more and more struck me as superficial.

The nuclear age forces the statesman to navigate between the callousness which reduces mass slaughter to a mathematical equation of technicians and the nihilism which abdicates to totalitarianism in the name of survival. Since the ABM treaty was signed, it has become clear that to rely on a strategy of mutual annihilation based on unopposed offensive weapons raises profound and political issues.

Has a president the right to expose a people forever to the vagaries of an increasing number of volatile decision-makers? Such a course involves the near certainty of a growth in pacifism or the risk of a holocaust as a result of miscalculation or the gradual escalation of peripheral crises.

Even granting — as I do — that a perfect defence of the U.S. population is almost certainly unattainable, the existence of some defence means that the attacker must plan on saturating it. This massively complicates the attacker's calculations. Anything that magnifies doubt inspires hesitation and adds to deterrence.

The case grows stronger if one considers the defence of intercontinental ballistic missile (ICBM) launchers. A defence of the civilian population would have to be nearly 100 per cent effective, while a defence that protected even 50 per cent of land-based missiles and air-bases would add hugely to deterrence. The incentive for a first strike would be sharply, perhaps decisively reduced if an aggressor knew that half of the opponent's ICBM's would survive a foreseeable attack.

THEN THERE is the problem of "third nuclear countries." (countries

other than the U.S. and the Soviet Union that have nuclear capabilities). Calculations and restraints that are highly plausible to advanced industrial societies are not necessarily equally persuasive to leaders of the Gaddafi variety.

Although a foolproof civilian defence against a superpower is difficult to conceive of, substantially complete defence against third nuclear countries could be possible well into the next century.

Perhaps the most compelling argument is the possible beneficial effect of some missile defence on arms control. Arms control theory is now at a dead end. The stalemate in negotiations reflects an impasse in thought. The reductions proposed by the Reagan Administration would add little to stability. The freeze which is its alternative would perpetuate what needs correction.

A breakthrough requires reductions of the numbers of warheads on a scale inconceivable so long as the strategic balance depends entirely on offensive weapons.

Under present conditions, the reductions which can be verified are relatively small. They are either dangerous because they simplify an attacker's calculations, or they are irrelevant because they leave large residual numbers of warheads.

If, however, the strategic warheads of both sides were reduced to a few hundred — a number astronomically below any so far envisaged — the side capable of hiding even 1,000 warheads might be able to disarm its opponent by a surprise attack or blackmail him into submission when the clandestine weapons are revealed. But with a properly designed defence, much larger numbers would be needed for a strategically decisive evasion, and those numbers could be detected.

I CONSIDER THESE arguments compelling with respect to three propositions:
□ The U.S. should not commit itself

at this point to the demilitarization of space;

□ The U.S. should proceed actively with research and development and forgo moratoria;

□ The U.S. should be prepared to negotiate over arms control of all defensive weapons.

Before the U.S. commits itself to actual deployment, answers to the following questions are needed:
□ Is it possible to design a ballistic missile defence that is primarily useful for the defence of the retaliatory forces or against maverick third nuclear countries?

□ If such a limited defence were to become part of an arms control agreement, how would the limitation be expressed and verified?
□ Could the U.S. avoid loopholes for further expansion to a full-scale defence?

□ Would such a defence be destabilizing by tempting a first strike and relying on the defence to absorb the counterblow? (In theory this should not be, if both sides have relatively limited defences.)

□ What, in such a context, would be the appropriate low level of offensive forces to bring about the breakthrough towards real arms control which has eluded the U.S. for a decade?

□ Or would strategic defence at any level destroy all hopes for an equilibrium?

The real debate will be joined after the American election. Theoretically, both superpowers should have an interest to prevent war by miscalculation and irresponsible third nuclear powers from blackmailing them with nuclear weapons. Neither side can gain from seeking unilateral advantage.

Thus, a renewal of negotiations will be a test less of ingenuity than of political maturity. There seems general concern with the precariousness, both physical and psychological, of a balance based on large unopposed offensive systems.

This article argues that some limited defence — yet to be analyzed, coupled, with a revolutionary approach to reduction of offensive forces by agreement may advance the U.S. towards the elusive goal of stability.

It remains to be seen whether domestically the U.S. can overcome debate by sloganeering and internationally whether the superpowers can move the quest for peace from polemics to a joint enterprise.

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READERS' LETTERS

THE HISTORY OF THE MAKUYA

To the Editor of *The Jerusalem Post* Sir, — Contrary to what Yossi Gamsu writes in the magazine of September 14 ("The last of the Samurais"), there is nothing in official Makuya publications in Japanese and English supporting his statement that the establishment of this Japanese Christian sect was in any way connected with the creation of the State of Israel in 1948. On the contrary, these publications, some written by the founder of the sect, Ikuro Teshima, state that in 1947, Jesus (and not a disembodied voice, or the "Jewish God," as Gamsu writes) appeared to Teshima, a Christian since childhood, and promised to come to his aid at a time of personal crisis.

Briefly, the background is this: In the late 1930s, Teshima had been a civilian administrator in the Japanese-controlled area of a Chinese province, and during World War II, he had operated two plants in North China and Korea manufacturing airplane parts (and had not been a Japanese army officer). After the war, Teshima became the wealthy owner of a number of business enterprises in his home town, but this prosperity ended when the authorities attached his property for non-payment of taxes. He then retired to the attic of his home to devote all his time to Bible study, leaving his first wife and her sister to support the family from their tea shop.

Soon after, learning that the American Occupation authorities sought him for opposing the reform of the nationalist, Emperor-centred education in his son's school, he fled to the mountains where he had his vision of Jesus. Teshima then vowed to devote himself entirely to spreading the Christian Gospel, but initially with scant success.

In 1950, while in the mountains with some students, there occurred the ecstatic experience with its great outpouring of emotion that became the basis of the sect. This ecstatic Christianity, Teshima claimed in his polemics with other Japanese Protestant sects, was the original Oriental and spiritual Christianity, as opposed to the legalistic, materialistic and church-centred Christianity introduced to Japan by Western, mostly American, Protestant missionaries in the mid-19th century.

This original Christianity was brought to Japan early in the Common Era, Teshima claimed, by the Hata people who had immigrated to Japan from Korea. They were remnants of the Ten Lost Tribes, he said, who during their wanderings eastward across Asia had converted to Nestorian Christianity. This original, ecstatic Christianity also nurtured miraculous powers possessed by Jesus: Teshima restored the dead to

life and cured disease, such as cancer and paralysis, by the touch of his hands and the power of his presence.

Gamsu also fails to point out that the sect's name, Makuya, means more than Tabernacle, or Tent, which the People of Israel carried with them during their sojourn in the Sinai Desert. For the sect, the name has an additional meaning: the Tent is Jesus under whose protective cover all mankind will gather at the end of days when Jesus the Messiah returns to earth.

Reference to Israel does not seem to have appeared in Makuya publications until after the Six Day War. To Teshima, the nationalist and anti-Communist, the lesson of Israel's military victory was clear: Japan, too, needed an army to defend itself against its enemies.

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HELP THE ETHIOPIANS INTEGRATE

To the Editor of *The Jerusalem Post* Sir, — Following the lengthy article which appeared on the subject of Ethiopian Jewry on September 7, I am sure that many of *The Post's* readers in Israel and abroad may be wondering how they can demonstrate personal involvement with the cause of Ethiopian absorption efforts in Israel today.

I would like to make some suggestions in this regard, as a result of our experience in Safad.

Many of the Ethiopian immigrants arrived in Israel without families. A special *mizva* would be to open your home on Rosh Hashana, the subsequent holidays and on the Sabbath to these olim.

PRICE INCREASES

To the Editor of *The Jerusalem Post* Sir, — There was a time when the Government of Israel and its ministers of finance — Sharef, Sapir, Rabinowitz — took a welcome initiative and, before the holidays, introduced special price reductions for fruit, vegetables, chicken and other basic commodities, in order to help lower-income people and large families.

The present government not only does not reduce prices before the holidays, but raises considerably the prices it controls: fuel, gas, electricity, post, etc.

Instead of being able to celebrate the holidays with happiness and serenity, many salaried workers and large families are unable to cope because of the crazy price increases.

MORDECHAI OPHIR
Jerusalem.

CHRISTIAN SUPPORT

To the Editor of *The Jerusalem Post* Sir, — I read with interest the article, "Mission of friendship" (August 12) relating to the International Christian Embassy in Jerusalem.

I appreciated the fair evaluation of the International Christian Embassy given by your correspondent, David Krivine. As a gentle Christian who is not connected in any way with the Embassy, I would like to say that at long last this Embassy in Jerusalem tangibly expresses the love and support that many gentle Christians feel in their hearts for the Nation of Israel, but are not in a position to express.

As your correspondent states, the track record of historical Christianity is a shameful one and I for one am glad that there is currently an organisation in Jerusalem that expresses the other side of the coin with regard to Christianity.

JOSEPH H. HUNTING,
Director, David House Fellowship
Carnegie, Australia.

WHO IS A JEW

To the Editor of *The Jerusalem Post* Sir, — The recent spate of articles and letters about conversion demonstrates the renewed need for a clear presentation of the reasons behind the now 14-year-old effort to amend the Law of Return.

First of all, the law itself is unique in Israeli legislation in that it defines the very essence of the Jewish state. If its effect is to even slightly encourage the improper entry of non-Jews into the Jewish people (by offering them citizenship, immigrants' rights, etc.) — then it is not a constructive law, but rather a negative, assimilative force. We should not underestimate the "public relations" aspect of this law: it announces to the world (and more importantly to the Jewish people) whom the only Jewish government extant today, functioning in the land of Israel, regards as Jews.

Secondly, the time has come to stop making the definition of Jewish identity subject to public opinion and popularity contests. Do you and I decide who is a policeman and who is not? No, the police force does. Well, who is a Jew belongs to authentic Judaism to decide; not to Shmuel or Joseph or Tamar. Of course, it is tragic that the Nazis killed people with only one Jewish grandparent, and that the Russian government today stifles such people while calling them Jews. But to let them define for us who is a Jew is just adding salt to the national wound they inflicted.

GOOD SERVICE

To the Editor of *The Jerusalem Post* Sir, — Too often we complain about bureaucracy and bad service on the part of our officials. I have just had occasion to see the positive side of officialdom in a negative situation.

I had to put my dog in quarantine, which is of course, a very unpleasant thing to do. In this case, however, the behaviour and attitude of the people working in the veterinary service in Ramat Gan are nice and

Finally — Judaism provides the unequivocal instructions how a Gentile can become a Jew. In the matter at hand, the critical points are: 1. The entire conversion procedure can be effected only by a legitimate Torah-recognized rabbinical court. The candidate for conversion must fully accept the observance of all the 613 commandments, including the fundamental principles of Jewish faith, and all of the Oral Law, including Torah-rabbinical legislation down to this very day. If the court members by their own admission do not subscribe to all of this (and in contemporary Jewish society, Conservative and Reform rabbis cannot because a total acceptance of Jewish law is inconsistent with their theology), then the conversion procedure in their hands is a farce and can never be "according to Halacha." By sure, Orthodox rabbis are capable of sloppy work, but the conversion process when they supervise it is not an inherent contradiction.

Hence the intense battle for the amendment. One last comment: communities of born, bona fide Jews, whatever their persuasion, should stop voicing the calumny that changing the law relegates them to second-class status. What it simply will do is weed out the still-non-Jew in their midst, and help bring to an end the national disaster of the infiltration of false Jews into our people.

RABBI NAFTALI LEWIN
Jerusalem.

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